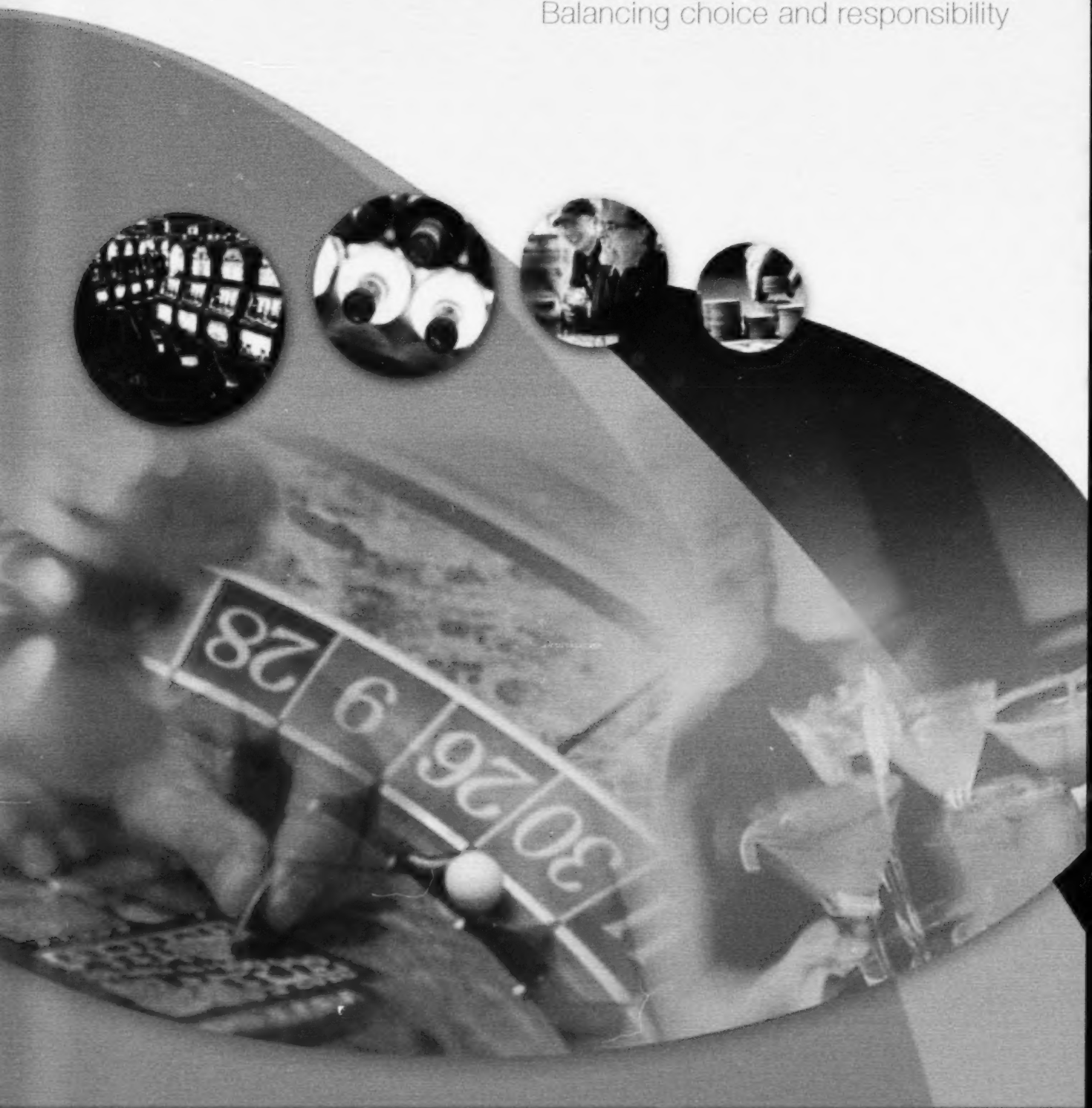
Alberta Gaming And Liquor Commission | 2003-2004 Annual Report

Balancing choice and responsibility



Alberta Advantage

ALBERTA LOTTERY FUND

Alberta GAMING AND LIQUOR COMMISSION

Alberta Award Winners - Canadian Gaming Industry

Each year at the Canadian Gaming Summit and Exhibition, several individuals are honoured with awards for their contributions to the gaming industry in Canada. As Ivan Sack, host of the Canadian Gaming Summit and Exhibition, indicates, "The Canadian gaming industry is very fortunate to have within its ranks individuals whose imagination, energy and abilities have placed them at the forefront of our industry, and earned them the respect and admiration of their peers." We are pleased to honour Alberta's Award winners:

Teresa Young,
President, Fort Road Bingo Association

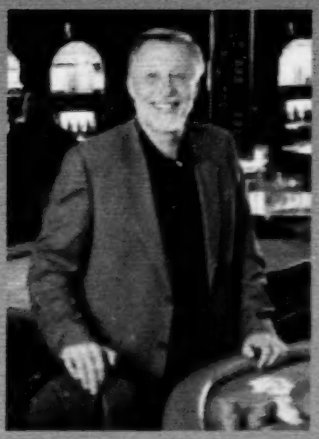
Display of Excellence Volunteer Award 2004

Described as the backbone behind much of her bingo hall's volunteer activity, Young led her association's project to raise funds required to purchase and renovate their own building.

Patti Dyck,
Hall Manager, Cannery Row Bingo Centre

Display of Excellence Bingo Award 2004

Patti Dyck was the first president of the Bingo Hall Managers Association of Alberta in 1996. As a testament to Dyck's hard work, the association now represents 44 out of the province's 53 bingo halls.



Heinz Oldach,
Owner, ABS Casinos

Outstanding Contribution to the Canadian Gaming Industry Award 2004

Heinz Oldach worked in Canada's first legal casino at Edmonton's Exhibition Park 37 years ago. Today, this pioneer is Alberta's largest casino operator; owning and operating casinos in Edmonton, Calgary, and Lethbridge.

Shirley Cripps,
President, Federation of Alberta Bingo Associations

Display of Excellence Bingo Award 2003

A former Alberta MLA, Cripps has been described as the glue that holds FABA together. Cripps is dedicated to assisting Alberta bingo associations raise money for their charitable community organizations.

Lesley Gierulski,
Hall Manager, Grandin Bingo Palace

Display of Excellence Bingo Award 2002

Breaking new ground for bingo in Alberta, Gierulski assisted with the development of the Request for Purchase document for the first electronic point of sale (POS) system for bingo, led negotiations for a group insurance plan for bingo staff, and introduced three sessions per day bingo.

Howard Worrell,
Vice President, Alberta Operations, Gateway Casinos Inc.

Display of Excellence Casino Award 2001

Under Howard Worrell's direction, the Palace and Baccarat Casinos continue to chart new courses for gaming in Alberta. The Palace was the first casino to pool gaming proceeds for the charities operating in its facility, ensuring an even distribution of proceeds to charities. Pooling of charity proceeds is now standard in all Alberta casinos.

Year at a Glance
2003-2004

Liquor	2003-2004	2002-2003
Liquor Revenue ($ millions)	**559**	**535**
Liquor Licences by Class		
Class A (open to public for consumption and sale of liquor)	5,189	5,131
Class B (open to those who paid entrance fee, purchased ticket, or entitled to use the facility)	508	506
Class C (premises restricted to members or other individuals)	774	763
Class D (for sale of liquor to be consumed off the premises)	1,665	1,619
Class E (for manufacture of liquor in Alberta)	15	16
	8,151	**8,035**
Liquor Retail Outlets		
Private retail liquor stores	950	910
General merchandise	89	86
	1,039	**996**
Liquor Products Available	**11,688**	**11,138**
Liquor Sales by Volume (hectolitres)		
Spirits	200,207	189,985
Wine	218,580	204,090
Coolers/Cider	143,810	140,490
Beer	2,310,238	2,229,580
	2,872,835	**2,764,145**

Gaming	2003-2004	2002-2003
Provincial Lotteries Revenue ($ millions)		
VLTs	577	594
Slot machines	479	405
Ticket lottery	172	175
Electronic bingo	1	-
	1,229	**1,174**
Gaming Venues		
Bingo association halls	53	56
Charitable casino facilities	16	16
Racing Entertainment Centres	3	2
Ticket lottery centres	2,100	2,111
Locations with VLTs	1,139	1,179
Charitable Gaming Licences Issued		
Bingo	1,281	1,577
Casino	2,962	2,923
Pull-ticket	262	371
Raffle	320	317
	4,825	**5,188**
Charitable Gaming Revenue to Charities ($ millions)		
Casino	133	122
Bingo	44	46
Raffle	39	30
Pull-ticket	10	8
	226	**206**

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ALBERTA LOTTERY FUND

Message from the Chairman and CEO

Albertans have told us that they want us to balance the economic benefits derived from the gaming and liquor industries with the assurance that these entertainment options are delivered in a socially responsible way. The AGLC works every day to do just that; achieve a balance.

Over the past year the AGLC has researched, monitored, consulted, refined and improved its policies and programs to support and maintain the balance between social responsibility and economic benefits to Albertans. The AGLC built on its commitment to encourage responsible gaming and the responsible consumption of alcohol by establishing a new Social Responsibility Division. This division will coordinate existing activities in this area and guide the AGLC in its efforts to become not only an expert, but a leader, in matters of social responsibility in both the gaming and liquor industries.

In May, after completing a major project to replace the system that operates our VLTs, we began to replace the terminals themselves. Many of the VLTs had been in the network since they were introduced in 1992 and were in need of replacement. I'm pleased to report that the project was completed January 31st of this year, under budget and ahead of schedule. The replacement allowed us an opportunity to make use of the newest technologies available. As such, all of Alberta's VLTs are now equipped with responsible gaming features aimed at encouraging individuals to play responsibly.

As always, casinos continue to be an important aspect of charitable gaming in Alberta. The AGLC's casino licensing process ensures any growth is carefully managed and controlled. New and expanding casino proposals are evaluated in a thorough and transparent manner, and all planned projects must meet community standards before they are considered for licensing.

The AGLC also worked closely with the bingo industry to help keep it a viable fundraising opportunity for Alberta's charities. The proceeds from bingo help fund thousands of worthy community projects each year all across Alberta. During the year, electronic gaming was introduced to some bingo association halls to help the industry remain a competitive entertainment choice. Digi Bingo was launched in April, followed by Keno in May. New Bingo Terms and Conditions introduced in the fall also provide more opportunity and greater flexibility to facilities and licensed charities to help them maintain and increase their business, while maintaining the integrity and accountability demanded by Albertans for the gaming industry.

One of the AGLC's outstanding successes for the year was the introduction of the GAIN program. This program was designed to help charitable groups better understand the gaming industry, and the responsibilities and requirements tied to a gaming licence. The goal was to make sure charitable groups are accountable for the funds they raise and spend. Over the last year, we provided training for thousands of individuals, who in turn have passed their learning on to others within their organizations. The impact of GAIN has been far-reaching. We have received tremendous response about the support provided to charities through this program. It has made the charitable gaming system more accessible for charitable organizations, easier for volunteers to operate within and easier for them to understand.

Message from the Chairman and CEO

September marked a significant milestone for the AGLC. It was the 10th anniversary of the privatization of liquor retailing. A snapshot of the private liquor retail model that exists today shows that privatization in this province has been an unqualified success: it has benefited the consumer by providing greater product selection, choice and convenience in liquor products to all Albertans. Ten years ago, the new liquor retail model was a bold, dramatic step. Today, Albertans now look upon their privatized liquor industry with pride and showcase it as a prime example of the Alberta Advantage.

None of these achievements would be possible without our AGLC staff. I'd like to acknowledge their ongoing pursuit of excellence in servicing and listening to our stakeholders and Albertans as well as their creativity and ingenuity. These qualities ensure Albertans' high standards for the gaming and liquor industries are met every day.

Congratulations to all employees who were recognized with a Premier's Award of Excellence for the Gaming Licensing Policy review. A strategic priority in the AGLC's business plan, the review led to over 60 recommendations to strengthen the framework for gaming in Alberta.

I'd also like to recognize the valuable insight, support and hard work from the members of the Board of the AGLC. As Albertans' representatives, they all play an integral role in fulfilling our duty to balance consumer choice and social responsibility.

Albertans have the answers. By listening to them, the AGLC pledges to lead the development of social responsibility programs, to continue to gain insight into issues related to gambling and alcohol abuse; and to ensure that effective policies and programs are in place to maintain a balance for economic benefits and social responsibilities in our gaming and liquor activities.

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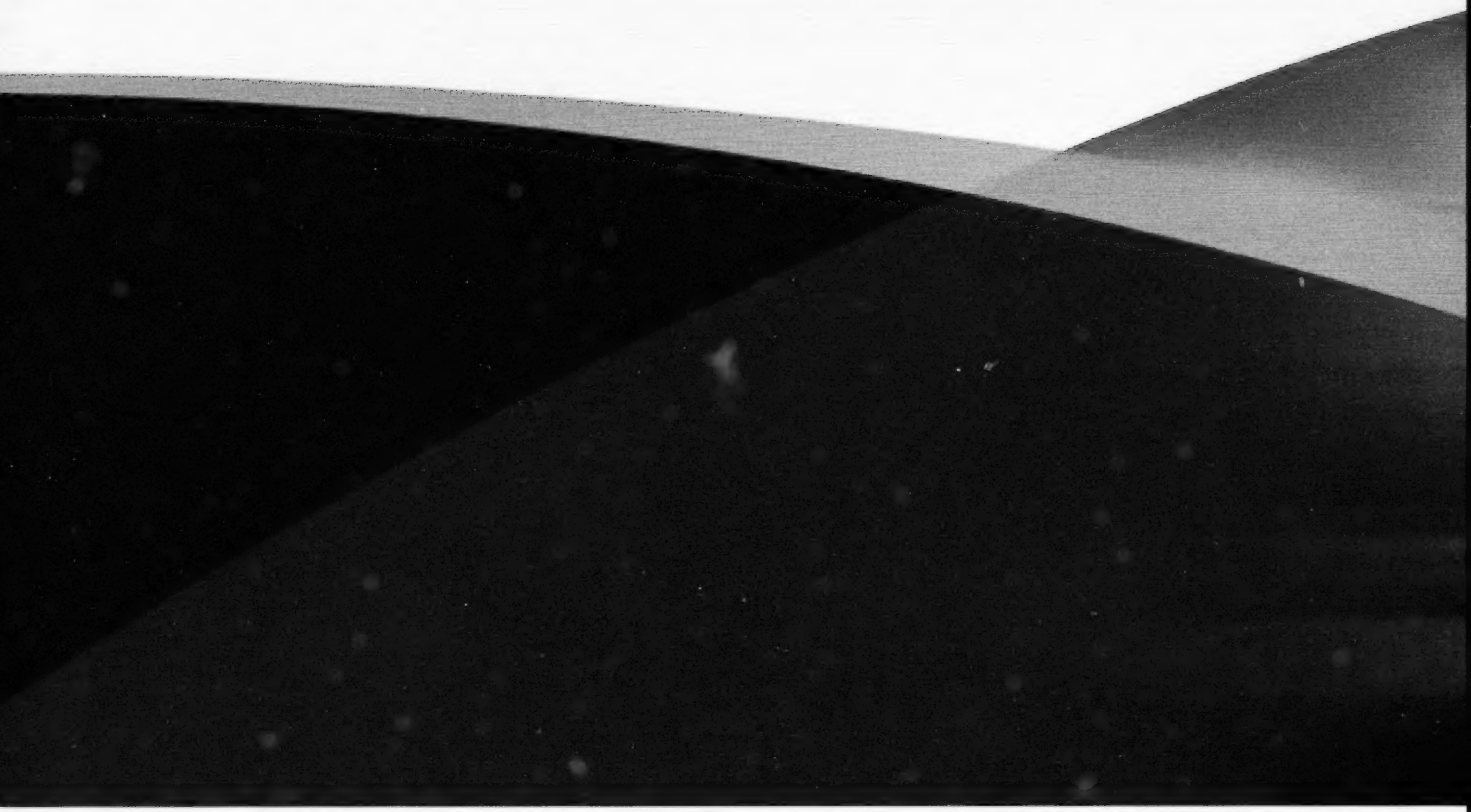
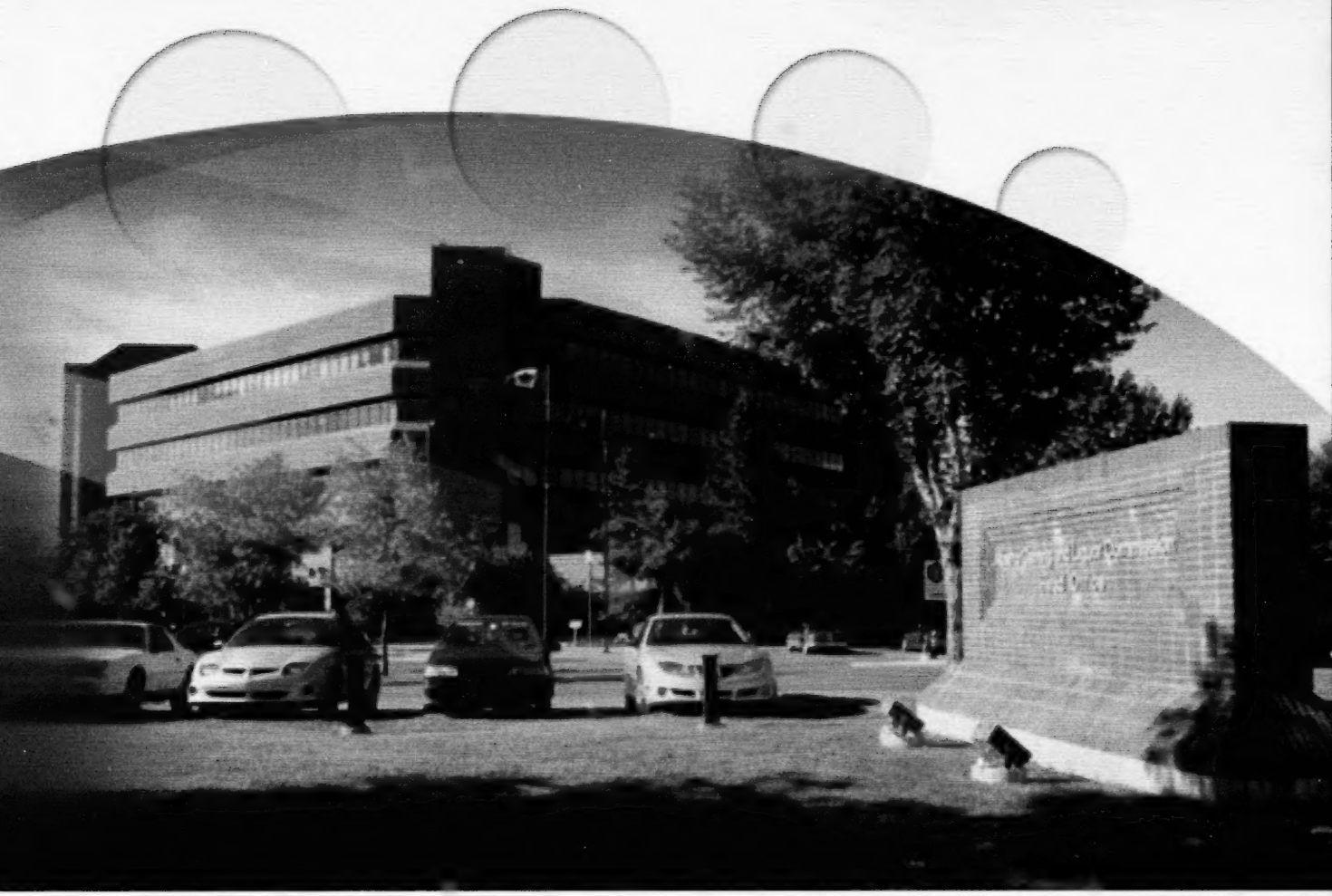
Norman C. Peterson
Chairman and Chief Executive Officer

ALBERTA
LOTTERY FUND



Overview



ALBERTA LOTTERY FUND

Organizational Profile
AGLC Board

The Alberta Gaming and Liquor Commission (AGLC) is a commercial enterprise and an agent of the Government of Alberta. The AGLC consists of a Board and a Corporation. The Board is responsible for policy and regulatory matters. The Corporation consists of administrative and operational divisions responsible for the day-to-day functioning of the organization.

Members of the Board as of March 31, 2004

Norman C. Peterson
Chairman and Chief Executive Officer

Prior to his appointment as Chairman and Chief Executive Officer of the AGLC, Norm served as Chief Financial Officer of the AGLC and was a member of the Board of the AGLC.

Norm joined the Alberta Liquor Control Board (ALCB) in 1992 and was part of the senior executive team responsible for the privatization of Alberta's liquor industry. In 1995, the ALCB merged with Alberta Lotteries and the Alberta Gaming Commission to form the Alberta Gaming and Liquor Commission. Norm was part of the senior executive team responsible for integrating the various operational entities.

Prior to joining the ALCB, Norm was Senior Vice-President, Finance with a major Alberta-based manufacturing business operating in the agricultural sector. He has also held various senior consulting positions with a major consulting firm in Calgary.

Norm graduated from the University of Calgary with a Bachelor of Commerce degree in 1975 and obtained his Chartered Accountant designation in 1977.

Organizational Profile
AGLC Board

Edward (Ed) Gaudet

Ed Gaudet was appointed a member of the Board of the AGLC in July 1995. He served as one of four Commissioners on the Board of the Alberta Gaming Commission from 1986 to July 1995. He is also a member of the Audit Committee.

Ed is a graduate of the University of Alberta in Pharmacy and worked in that business for close to 30 years as a sales representative and a working partner of a drug store. Since 1975, he has owned and operated a grain farm in Daysland.

Ed has extensive community service as a member of the Lions Club and as Chairman of the Camrose Composite High School Parents Council. He is a Past-President and Director of the Alberta Canola Producers Commission for District Two; a Past-President of the Daysland General Hospital Board; and has been active on Alberta Hospital Association Committees. He was involved in the completion of two active treatment hospitals, the Daysland General Hospital and the Hardisty General Hospital.

Patricia (Patty) Whiting

Patty Whiting was appointed a member of the Board of the AGLC in June 2001. She was also appointed a member of the Board of the Western Canada Lottery Corporation effective January 1, 2003.

Patty previously held the position of Vice President of International Business Development in Amtech Chemicals Ltd., a research and development company involved in chemical cleaning, oil production enhancement and laboratory testing services.

Currently, she is President of Whiting Enterprises, a property development and investment company, and is the Chair of the Minister's Advisory Council on Occupational Health and Safety. She is also a member of the Board of Directors of the Kids' Kottage Foundation.

Previously, she held various positions with the Workers' Compensation Board and has served as Executive Assistant to the Minister of Occupational Health and Safety, Workers' Compensation Board and Alberta Public Safety Services.

ALBERTA LOTTERY FUND

Organizational Profile
AGLC Board

Alexander (Sandy) Dougall

Sandy Dougall was appointed to the Board of the AGLC in November 2002. He was appointed a member of the Audit Committee in January 2003 and Chair of the Audit Committee in October 2003.

Sandy was born, educated and started his banking career in Scotland. After immigrating to Canada, he worked for a major bank holding a variety of senior management positions in retail and business banking. He gained experience and a broad understanding of business issues through his work with all types of private and public businesses and with public sector organizations.

Over the past few years, he has divided his time between working as a consultant and volunteering with community and non-profit organizations.

Sandy joined the Board of the Calgary Health Region in 1998 and has served as Chair of the Finance and Corporate Accountability Committee and Strategic Planning Committee. He has represented the region on the Carewest Board and Physician Liaison Council.

Sandy has served as President of the Alberta Golf Foundation and is currently a Director of the Alberta Golf Association. He also represented his community as a member of the Canyon Meadows LRT Community Design Liaison Committee.

George Russill

George Russill was appointed a member of the Board of the AGLC in November 2002.

George resides in Cypress Hills, a community located in the southeastern corner of the province, where he operates a cattle ranch.

Since 1989, George has represented his area as a Municipal Councillor for Cypress County.

George is an active member of his community and currently a Captain with the Elkwater Volunteer Fire Department, Treasurer of the Stock Association and board member on various other committees.

He has just completed a four-year term as a member of the Provincial Court Nominating Committee.

Organizational Profile
AGLC Board

Alexander (Al) Evans

Al Evans was appointed a member of the Board of the AGLC in November 2002. He was appointed a member of the Audit Committee in January 2003.

Al spent 34 years in the petroleum industry, 14 of which as team leader/ senior financial coordinator for a major oil company prior to his retirement.

Al has a strong background in Certified Management Accounting and has completed various courses in project management, along with corporate and public supervisory management courses. He also holds a certificate in automotive technology from S.A.I.T. and is a Dale Carnegie graduate.

He is currently Co-Chair of the Student Financial Assistance Appeal Committee.

Lynn M. Faulder

Lynn Faulder was appointed a member of the Board of the AGLC on November 5, 2003. She was appointed a member of the Audit Committee in December 2003.

Lynn is also a Public Member of the panel appointed to hear appeals and conduct hearings and tribunals under the Health Professionals Act and the Dependent Adults Act.

Lynn has chaired the Citizens' Appeal Panel for Assured Income for the Severely Handicapped, Widows' Pension and Aids to Daily Living, and has been a member of the Citizens' Appeal Panel for Supports for Independence, and Alberta Seniors Benefit. She has a nursing diploma and worked as a surgical staff nurse.

Lynn has been an active member of the Edmonton community, as a member of the Beta Sigma Phi sorority and a former director of the Royal Alexandra Hospital Foundation. She has held executive positions at the community league and area council levels for the Edmonton Federation of Community Leagues.

ALBERTA LOTTERY FUND

Organizational Profile
Responsibilities of the Board

The responsibilities of the Board are set out in section 12 of the *Gaming and Liquor Act*, and include:

- Ensuring the operations of the AGLC are appropriately carried out in accordance with legislation and Board policies.
- Establishing policies for the operations of the AGLC. The Board also takes policy direction from the Minister and develops strategies and plans to effectively implement this policy direction.
- Reviewing and approving liquor and gaming licences and registrations.
- Conducting hearings into matters involving licences, registrations and breaches of legislation.
- Any functions assigned to it under any enactment.

The Board holds its meetings and hearings in St. Albert and Calgary. The location alternates every month so licensees from around the province can attend the location nearest to them, if they are required to appear before the Board.

In 2003-2004, the AGLC Board met monthly and held 150 hearings; 126 of these were liquor related hearings and 24 were gaming related hearings. More information on Board hearings and penalties is available on the AGLC website at www.aglc.gov.ab.ca.

Organizational Profile

Vision

The AGLC, as an agent of the Government of Alberta, works to achieve the vision of the Ministry of Gaming. This vision is to strive to balance choice and responsibility in the province's gaming and liquor industries, to use revenues derived from these activities for the benefit of Albertans, and to provide opportunity for competition and enhanced service in its liquor and gaming industries.

Mission

The mission of the AGLC is to ensure that gaming and liquor activities in Alberta are conducted with integrity and social responsibility, and to maximize long-term economic benefits for Albertans.

Guiding Principles

The AGLC has adopted the following guiding principles for gaming and liquor in Alberta. The guiding principles are subject to ongoing review, to ensure they continue to reflect Albertans' values.

1. The integrity of gaming and liquor activities will be ensured.
2. Gaming and liquor policies will reflect a commitment to social responsibility.
3. Gaming and liquor policies will be supported by sound research and consultation with the public and stakeholders.
4. The collection and use of gaming and liquor revenue will be open and accountable.
5. Gaming activities will meet standards of quality to protect the integrity of gaming activities, provide gaming entertainment value to consumers and help to keep gaming dollars in Alberta.
6. Alberta's liquor industry will continue to be among the most progressive and competitive in the country and continue to lead the nation in terms of supply, distribution, pricing and customer service.
7. The financial return to eligible groups from charitable gaming and from provincial lotteries is to be maximized for the benefit of Albertans.

ALBERTA LOTTERY FUND

Organizational Profile

Values

The AGLC is committed to operating according to the following values. It will:

1. Act with integrity and in a fair and impartial manner,
2. Strive to balance social and economic responsibilities to the people of Alberta,
3. Foster clear, open and courteous communications and consult with stakeholders,
4. Achieve excellence in customer service,
5. Nurture a working environment that is characterized by teamwork, collaboration and open communication,
6. Be an innovative and adaptable organization that focuses on continuous improvement in the quality, effectiveness, and efficiency of our products, services and business processes, and
7. Be responsible stewards of assets entrusted to us, maintaining our accountability to the Province of Alberta.

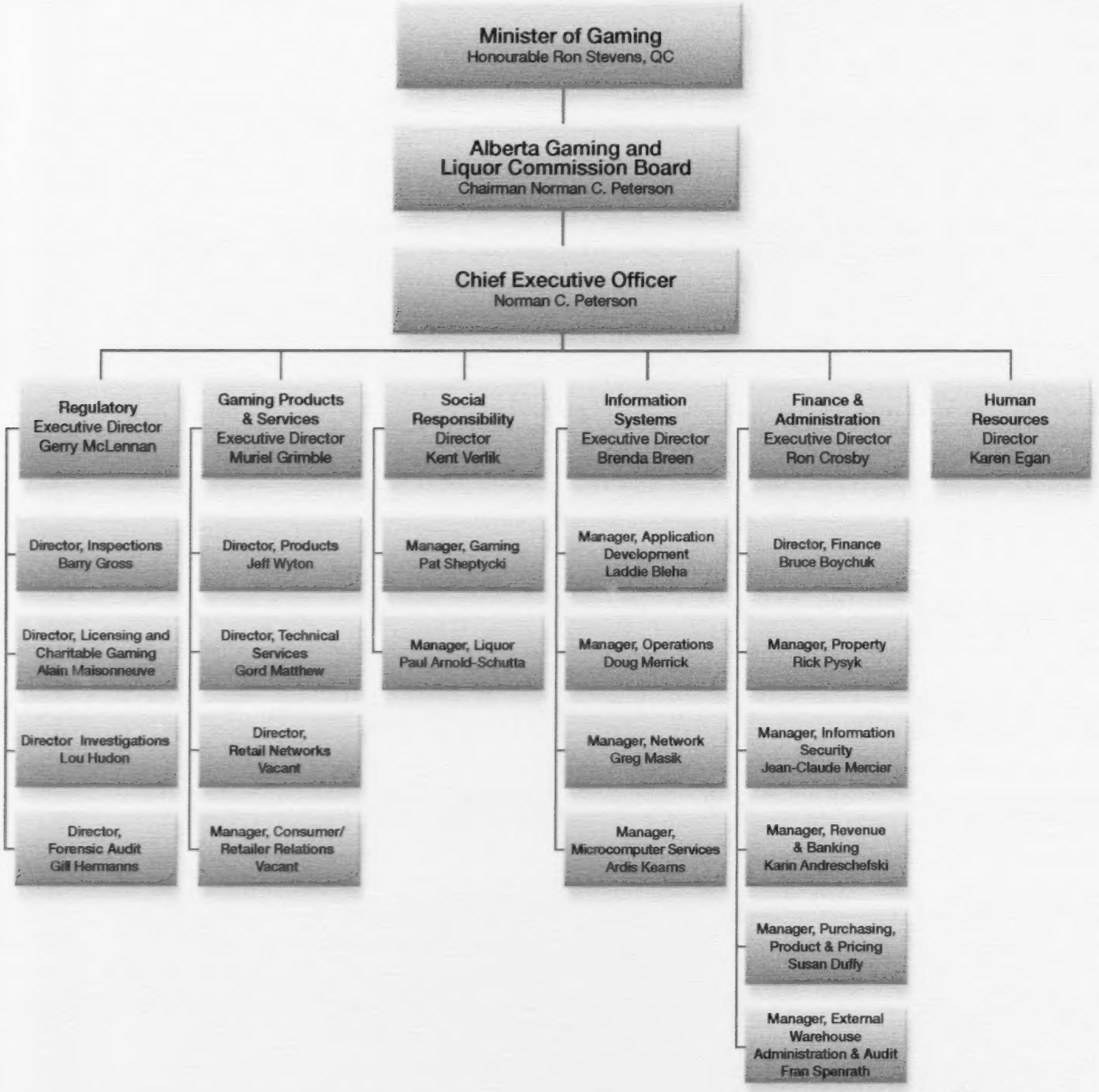
Core Businesses

The core businesses of the AGLC are:

1. License and regulate liquor activities.
2. License and regulate charitable gaming activities.
3. Conduct and manage provincial gaming activities.

The AGLC is also responsible through a Memorandum of Understanding with Alberta Revenue to provide enforcement and investigative services with respect to the *Tobacco Tax Act* and for Criminal Code investigations of theft and fraud in relation to the *Tobacco Tax Act* and the *Fuel Tax Act*.

Organization Chart



ALBERTA LOTTERY FUND

Operational Overview

Chairman and Chief Executive Officer

Responsible for the overall operations of the AGLC and also serves as Chairman of the Board.

Contact: **Norman C. Peterson**
Phone: (780) 447-8601
Fax: (780) 447-8950
E-mail: norm.peterson@aglc.gov.ab.ca

Regulatory

Licenses and regulates liquor premises, gaming facilities and charitable gaming activities. Registers liquor agencies, liquor representatives and gaming workers. Provides specialized enforcement in the areas of liquor, gaming and tobacco. Conducts due diligence investigations, performs and coordinates criminal investigations, forensic audits, and confirms eligibility for facility licence applicants and gaming suppliers.

Contact: **Gerry McLennan**
Phone: (780) 447-8821
Fax: (780) 447-7505
E-mail: gerry.mclennan@aglc.gov.ab.ca

Gaming Products and Services

Conducts and manages provincial gaming products and retailer networks, such as electronic bingo, ticket lotteries, video lotteries and slot machines. These functions include new product development, analysis and testing. In addition, this Division provides retail services such as hotline (call centre) and technical services for all electronic gaming equipment and retail account services.

Contact: **Muriel Grimble**
Phone: (780) 447-8783
Fax: (780) 447-8929
E-mail: muriel.grimble@aglc.gov.ab.ca

Social Responsibility

Coordinates the organization's social responsibility initiatives to ensure that all gaming and liquor activities are conducted in a socially responsible manner. Leads the design of programs, policies

and regulations that take social responsibility into consideration, and delivers these programs in cooperation with the Alberta Alcohol and Drug Abuse Commission (AADAC) and stakeholders in the liquor and gaming industries.

Contact: **Kent Verlik**
Phone: (780) 447-8813
Fax: (780) 447-8800
E-mail: kent.verlik@aglc.gov.ab.ca

Information Systems

Provides information and communication technology services to the AGLC and Department of Gaming. Provides support services to the video, slot and electronic bingo central systems, application development, local and wide area networks, telecommunications and data centre operations.

Contact: **Brenda Breen**
Phone: (780) 447-8615
Fax: (780) 447-8920
E-mail: brenda.breen@aglc.gov.ab.ca

Finance and Administration

Provides services related to business planning, financial and business administration and liquor warehouse administration.

Contact: **Ron Crosby**
Phone: (780) 447-8659
Fax: (780) 447-8907
E-mail: ron.crosby@aglc.gov.ab.ca

Human Resources

Provides human resource programs and services to the AGLC and Department of Gaming, including recruitment, performance management, benefit administration, continuous learning and employee recognition.

Contact: **Karen Egan**
Phone: (780) 447-8717
Fax: (780) 447-8918
E-mail: karen.egan@aglc.gov.ab.ca

ALBERTA LOTTERY FUND

Stakeholders

Stakeholders play an integral role in the development of policies and procedures, programs and initiatives with the AGLC. Stakeholders include organizations and businesses directly involved in the liquor or gaming industries, and individuals or groups affected by or interested in the activities of these industries. Each year the AGLC collaborates with stakeholders on a range of issues and policy matters.

In 2003-2004, stakeholders were consulted on the following subjects:

Subject	Stakeholders Consulted	Timeframe
Bring Your Own Wine program and recorking – policy review	Liquor Licensees	April 2003
Liquor availability in movie theatres – policy review	General Public	May 2003
Liquor Store Loyalty Program – policy review	Liquor Industry	December 2003
Bingo Technical Policy Issues	Technical Review Committee, Federation of Alberta Bingo Associations (FABA)	Regular meetings held in 2003-2004
Bingo Event Management System (EMS) – comments on EMS design	Edmonton Bingo Association Halls	October 2003
Bingo Program – revisions introduced	Federation of Alberta Bingo Associations (FABA) representatives, FABA Technical Committee	December 2003
DIGI bingo retailer program development	DIGI Bingo retailers, FABA	February 2004
Casino annual operations update	Casino Operators	November 2003
Social responsibility – evaluation of Deal Us In Program	Casino Operators	November 2003
Social responsibility – training program evaluation, three year plan	Alberta Alcohol and Drug Abuse Commission (AADAC)	October 2003 to March 2004
VLT policies and operations – updates	Alberta Hotel and Lodging Association	January 2004
VLT replacement program	Alberta Hotel and Lodging Association, Alberta Restaurant & Foodservices Association	April to October 2003

Stakeholders

Public at Large

The AGLC is committed to being accountable and transparent. It takes into account the views of Albertans when developing gaming and liquor policies, programs and initiatives, and when making decisions. For example, step four of the new casino licensing eight-step process specifically refers to the Board's consideration of community support for a new casino. As well, the AGLC considers all objections from the public in the decision-making process for new casinos and liquor licences.

In addition, the AGLC provides information to, and responds to questions from, the public about gaming or liquor revenue, policy, and the process for becoming involved in the gaming and liquor industries of the province.

Charities

Charities are stakeholders in the gaming industry. The AGLC grants gaming licences to thousands of charitable organizations so that they may conduct charitable gaming activities including casinos, bingos, raffles and pull-ticket sales. The AGLC values the views of charitable organizations and works in consultation with them when developing gaming policies that affect them.

Gaming Industry

Gaming industry stakeholders include operators of gaming facilities and retailers involved with gaming activities. Many industry stakeholders are represented by industry associations such as the Federation of Alberta Bingo Associations, the Bingo Hall Managers Association of Alberta, the Registered Casino Advisors Association, the Alberta Hotel and Lodging Association, the Alberta Restaurant & Foodservices Association, the Canadian Restaurant and Foodservices Association and the Alberta Gaming Industry Association. Other important gaming industry stakeholders are the Western Canada Lottery Corporation, Racing Entertainment Centre operators, and members of the horse racing industry, including Horse Racing Alberta.

ALBERTA LOTTERY FUND

Stakeholders

Liquor Industry

Liquor retailers, suppliers and warehouse operators are stakeholders in the liquor industry. Representative organizations in the liquor industry include the Alberta Liquor Store Association, the Alberta Hotel and Lodging Association, the Alberta Restaurant & Foodservices Association, the Canadian Restaurant and Foodservices Association, the Beverage Alcohol Importers Advisory Council of Alberta, the Association of Canadian Distillers, the Canadian Wine Institute and the Brewers of Canada.

The AGLC regularly attends and participates in meetings of the Alberta Liquor Industry Roundtable, a forum for industry members to discuss issues facing the liquor industry in Alberta. Members of the roundtable include organizations from all areas of the liquor industry.

The AGLC is also a member of the Canadian Association of Liquor Jurisdictions and the Association of Licensed Liquor Authorities of Canada. These organizations share information and address matters of common concern among the liquor jurisdictions across the country.

Stakeholders

Municipalities/Police

Municipalities and police agencies are key stakeholders in the gaming and liquor industries. AGLC staff regularly meets or consults with municipal officials who grant local permits or licences to businesses that intend to operate liquor or gaming facilities. The staff work closely with police agencies in Alberta on enforcement matters related to criminal activities, and liquor, gaming, and tobacco tax violations. This working relationship has helped successfully conclude investigations of common concern. The Gaming Investigation Team is an example of the partnership between the AGLC and police agencies that deters organized crime from gaining a foothold in the gaming industry in Alberta.

Alberta Alcohol and Drug Abuse Commission (AADAC)

The AGLC works closely with AADAC on social responsibility programs and activities related to liquor and gaming. These include the Responsible Gaming Program for VLT retailers, the "Deal us in" program for casino operators, and the Server Intervention training program for liquor industry staff.

ALBERTA LOTTERY FUND

Five Year Financial Summary

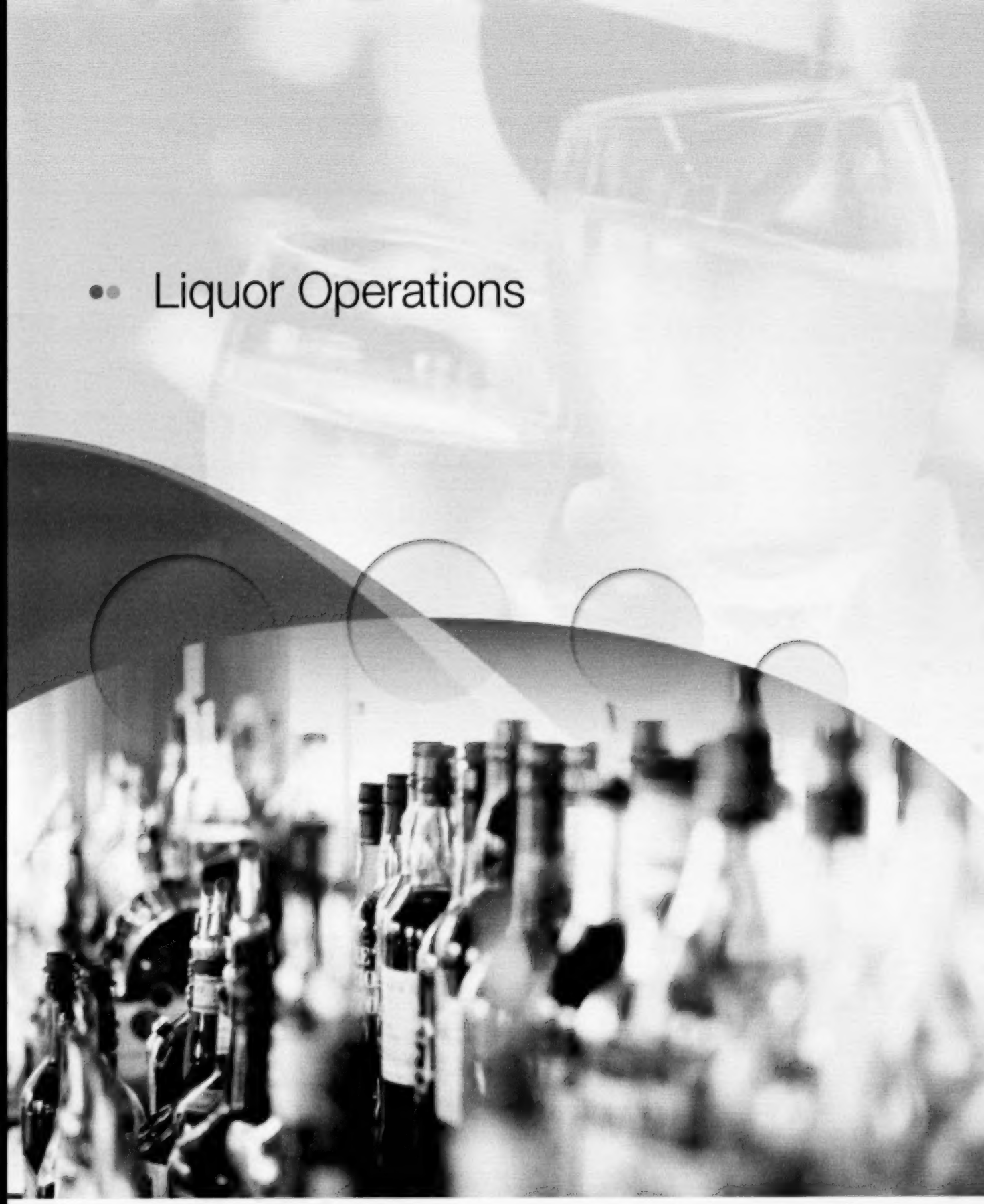
The net income of the AGLC in 2003-2004 was $1.7 billion. A summary of gross sales and profits from the AGLC's operations is as follows:

(millions of dollars)	**2004**	2003	2002	2001	2000
Gross Sales	**19,817**	18,328	16,963	14,913	12,825
Gross Profit					
Liquor	**559**	535	492	468	456
VLTs	**577**	594	617	575	525
Slot Machines	**479**	405	322	252	174
Electronic Bingo	**1**	-	-	-	-
Tickets	**172**	175	166	161	156
Other	**13**	14	15	13	15
Operating Expenses	**(119)**	(99)	(83)	(70)	(69)
Net Income	**1,682**	1,624	1,529	1,399	1,257

The AGLC is responsible for administering the charitable gaming model in Alberta. Other than licensing fees to cover the AGLC's cost of administering and regulating this model, all proceeds from charitable gaming activities, net of certain AGLC costs, go directly to the charity to be used for charitable or religious purposes, as required under the provisions of the *Criminal Code* (Canada). A summary of the returns to charities under this model is as follows:

(millions of dollars)	**2004**	2003	2002	2001	2000
Bingo	**44**	46	50	51	55
Casino	**133**	122	114	99	77
Raffle	**39**	30	26	25	24
Pull-ticket	**10**	8	10	8	9
	226	206	200	183	165

Liquor Operations



Liquor Operations

The AGLC regulates the liquor industry in Alberta. It issues liquor licences, and collects a provincial mark-up from the sale of liquor. The private sector warehouses and distributes liquor products, and retails these products to consumers.

The number of licences in effect and the liquor sales in thousands of dollars for 2003-2004 are as follows:

		2004					2003	
Licence Class	**Licences in Effect March 31 2004**	**Spirits**	**Wine**	**Coolers & Cider**	**Beer**	**Sales Total**	Licences in Effect March 31 2003	Sales Total
A	5,189	$ 66,730	$ 22,894	$ 9,737	$ 210,632	$ 309,993	5,131	$ 308,991
B	508	1,181	336	250	6,238	8,005	506	8,178
C	774	841	1,268	169	7,589	9,867	763	10,014
D	1,665	391,366	212,263	52,160	502,189	1,157,978	1,619	1,085,260
E	15	-	-	-	1	1	16	-
*	-	3,326	837	73	287	4,523	-	4,329
	8,151	$ 463,444	$ 237,598	$ 62,389	$ 726,936	$ 1,490,367	8,035	$ 1,416,772

* Includes duty free, diplomat, NATO, sales to other liquor boards and liquor agencies.

Class A licences are issued to hotels and other premises open to the public for the sale and consumption of liquor. Class A licences include the minors-prohibited licences which apply to bars and lounges.

Class B licences are issued for the sale and consumption of liquor in premises open to those who have paid an entrance fee, purchased a ticket, or are otherwise entitled to use the facility. Examples of such premises include convention centres, race tracks, theatres and recreational facilities.

Class C licences are issued for the sale and consumption of liquor in premises restricted to members and other individuals. Examples are private clubs.

Class D licences are issued primarily to retail outlets and hotels for the sale of liquor to be consumed off the premises.

Class E licences are issued for the manufacturer of liquor in Alberta and include licences for brew pubs.

More jobs, increased selection, price competition and more tax revenue resulted when Alberta privatized liquor stores.

Comment: Mark Milke
Former BC Director
of the Canadian Tax
Payers Federation
Financial Post
October 22, 2003

Liquor Operations

Alberta's retail liquor model and liquor product selection

Alberta has a unique retail liquor model. The Alberta liquor industry was privatized in September 1993 and celebrated ten years of privatization in the last fiscal year. Today, all retailing, warehousing, and distributing of liquor in Alberta is handled by the private sector. Privatization has benefited both retailers and consumers. For example, before privatization, there were 304 retail outlets compared to 1,039 retail outlets at March 31, 2004. Similarly, there were 3,325 products available to consumers before privatization and 11,688 at March 31, 2004, ten years after privatization. Privatization of the liquor industry also generated an increase in employment from 1,300 full-time and part-time jobs in 1993 to over 4,000 full-time and part-time jobs in 2004.

Before privatization there were about a dozen single malts available in Alberta. Today, there are more than 100 single malts and some 80 blended scotches available.

Nick Lees
Columnist
Edmonton Journal
January 21, 2003

Wholesale price of liquor

The wholesale price of liquor is the cost paid by private retailers before the liquor is sold to consumers. The wholesale price consists of the price set by the manufacturer, all applicable federal customs and excise duties, beverage container recycle costs, and the AGLC's mark-up. The AGLC collects the wholesale price from liquor retailers, and remits customs and excise duties to the federal government, the recycle costs to the appropriate recycling corporation (see under Container Management in this section), the manufacturer's price to the appropriate manufacturer, and the mark-up to the province.

The mark-up rate structure and rates in effect as of March 31, 2004 are as follows:

Liquor Product Category	$ Per Litre (March 31, 2004)
Spirits (greater than 60% alcohol content)	17.87
Spirits (greater than 22% and less than or equal to 60% alcohol content)	13.30
Spirits (less than or equal to 22% alcohol content)	9.90
Wine (greater than 16% alcohol content)	6.10
Wine (less than or equal to 16% alcohol content)	3.45
Refreshment Beverage (greater than 8% and less than or equal to 16% alcohol content)	4.05
Refreshment Beverage (less than or equal to 8% alcohol content)	1.35
Beer (greater than 200,000 hectolitres*)	0.98
Beer (greater than 10,000 hectolitres and less than or equal to 200,000 hectolitres*)	0.40
Beer (up to 10,000 hectolitres*)	0.20

* Based on annual worldwide production, which includes the volume of all liquor and non-liquor products manufactured where the beer is produced, and all contracted or leased volumes.

ALBERTA LOTTERY FUND

Liquor Operations

Landed cost

Alberta's privatized liquor retailing system offers consumers the best of selection, choice and service. In the interest of Alberta's consumers, the AGLC wants to ensure that the industry continues to offer competitive prices.

In February 2003, the AGLC released its "Review of Mark-up Structure and Related Policies". Based upon the results from this review, the AGLC requested that the Alberta Liquor Industry Rountable (ALIRT) analyze the rationale and impacts of manufacturers' landed costs for the products sold in Alberta when compared to the landed cost of the same products sold in other jurisdictions. Landed Cost is the cost that the suppliers/agents provide to the AGLC and includes the actual cost of the product and all other costs that must be recovered by the supplier such as transportation to the warehouse, warehousing charges, insurances, marketing, and promotion. The review indicated that the landed cost for many liquor products was higher in Alberta than in other provinces. This has a direct impact on the retail price that consumers pay, and as a result the AGLC referred the matter to ALIRT to obtain input from the industry.

In December 2003, ALIRT provided a preliminary analysis; however, it was suggested that further analysis by the AGLC would be required to take into consideration the effect that discounting and limited time offers have within the Alberta market.

As a result, the AGLC is conducting a more detailed review to compare the landed costs of liquor products in Alberta versus those in British Columbia. The objective of this review is to determine how the landed costs of products in Alberta differ from those in British Columbia, to analyze the impact to the liquor jurisdiction and consumer of the manufacturers' landed costs for the products sold in Alberta when compared to the landed costs of the same products sold in British Columbia and, eventually, to determine the effect of these differences on retail prices in Alberta.

Liquor Operations

Liquor sales by product type

The gross profits and volumes of sales by liquor product type in 2003-2004 are summarized as follows:

			2004	2003
	Sales ($000)	**Volumes** (hectolitres)	**Gross Profit** ($000)	Gross Profit ($000)
Spirits				
Whiskey	159,101	66,779	88,062	84,732
Vodka	108,178	50,159	66,485	61,412
Rum	83,092	36,270	48,069	44,704
Liqueurs	57,350	22,782	25,357	25,722
Gin	12,082	5,176	6,764	6,199
Others	43,641	19,041	14,727	14,264
	463,444	200,207	249,464	237,033
Wine	237,598	218,580	76,655	71,590
Coolers/Ciders	62,389	143,810	19,393	18,895
Beer				
Packaged*	627,888	1,984,812	184,901	178,466
Draft	99,048	325,426	28,450	28,564
	726,936	2,310,238	213,351	207,030
	1,490,367	2,872,835	558,863	534,548

* Includes deposit

Liquor Operations

Excise Act changes

The federal *Excise Act 2001* came into effect July 1, 2003, and included amendments to other federal legislation and regulations, thus affecting all domestic and imported alcoholic beverages (excluding beer). To ensure compliance with the provisions of this new legislation, the AGLC implemented changes in relevant procedures and systems, including the customs clearance process, transition of domestic wine to in-bond status, and reporting to the appropriate Federal agencies.

Warehousing and distribution

The AGLC establishes the policies for warehousing and distributing liquor products in Alberta and authorizes companies or operators to warehouse and distribute liquor products. The AGLC has a warehouse administration office at each of the warehouse locations to ensure the wholesale price is collected on all products sold in the province. The wholesale price includes the manufacturer's cost, customs and excise duties, recycle costs and the mark-up.

The AGLC has authorized four operators, as agents of the AGLC, to warehouse and distribute liquor products in Alberta:

- Connect Logistics – operates a bonded warehouse in St. Albert to warehouse and distribute spirits, wines, coolers, ciders and beer
- Brewers Distributor Ltd. – warehouses and distributes beer products for Molson and Labatt breweries from Edmonton and Calgary warehouses
- Big Rock Brewery – manufactures and distributes beer from its plant/warehouse in Calgary
- Sleeman Breweries Ltd. – warehouses and distributes its products from a Calgary warehouse

Liquor Operations

Bring Your Own Wine and Recorking

After consulting with liquor and food service stakeholders, changes were made to provincial liquor laws and policies to permit patrons to bring their own wine to participating restaurants and remove partially consumed wine from a restaurant. These changes again demonstrate that Alberta's liquor industry continues to be among the most progressive in Canada.

The Bring Your Own Wine policy, which was introduced in October 2003, gives consumers a greater choice in liquor service by providing them with the opportunity to bring a bottle of their own pre-purchased wine to restaurants that choose to participate in the program. In 2003-2004, 252 licensed premises participated in the program.

Upon request, licensed premises are required to recork partially consumed bottles of wine, allowing patrons to take the remaining wine home with them when they leave the restaurant. This will help ensure the responsible consumption of liquor as customers will not feel compelled to finish a bottle of wine at the restaurant.

Our philosophy of freedom of choice is met by allowing restaurants the opportunity to solve their customer's requests.

Lindy Rollingson
CEO and President
Alberta Restaurant and Foodservices Association

Liquor in movie theatres

Early in 2004, Famous Players was issued a liquor licence to allow liquor service in selected theatre lobbies. This type of licence is not new, as other theatres, such as the Citadel in Edmonton, Theatre Calgary, and the IMAX theatre in Edmonton also offer liquor service.

Before this liquor licence was granted, Famous Players, at the request of the Board of the AGLC, advertised their interest in obtaining a Class B liquor licence to gauge consumer interest or concern. Albertans were invited to provide their feedback through mail, telephone, and fax. Famous Players responded to public feedback to ensure liquor consumption and service was restricted to lobby areas.

ALBERTA LOTTERY FUND

Container management

Under the Beverage Container Recycling Regulation, empty beverage containers in Alberta are recovered and recycled. Beverage manufacturers operate the Alberta Beverage Container Recycling Corporation, which provides a common collection system to recover empty containers from the more than 200 bottle return depots located throughout the province.

The return and recycling system is coordinated by the Beverage Container Management Board (BCMB). The AGLC participates in the common collection system that deals with the recycling of all beverage containers.

The Alberta Beer Container Corporation (ABCC) was established to be the common collection agent approved by the BCMB for the collection of regulated beer containers in Alberta beginning in November 2001. The ABCC appointed Brewers' Distributor Ltd. as its agent for the collection of all beer containers returned in Alberta. Brewers' Distributor processes empty cans and re-fillable bottles. The ABCC has contracted with Alberta Beverage Container Recycling Corporation to process non-refillable bottles and bi-metal cans.

Beverage manufacturers pay to operate the return and recycling systems. Recycling costs vary based on the type of container being handled (for example, aluminum, glass, plastic or polycoat). Beverage container recycling costs are included in the wholesale price of liquor.

Did you know? There are over 200 bottle depots located throughout Alberta. Visit the Beverage Container Management Board's website at www.bcmb.ab.ca for more information.

In 2003-2004, the BCMB established a process to consider adjustments to beer handling commission rates. It also set up a process to collect pertinent information from bottle depots to help arrive at appropriate decisions in setting these rates. These processes followed from a judicial review into setting beer container handling commissions.

BCMB reported that the overall return rate of liquor containers in the fiscal period ending December 31, 2003 was about 90 per cent, the same as in the fiscal year ending December 31, 2002.

Gaming Operations

Gaming Operations

The AGLC licences and regulates charitable gaming in Alberta and conducts and manages provincial lotteries on behalf of the government.

Charitable gaming activities include casino table games, paper bingos, raffles and pull-ticket sales conducted by eligible charitable groups that are licensed by the AGLC.

Provincial lotteries include lottery ticket sales, slot machines, video lottery terminals (VLTs), electronic bingo and Keno. Private operators and retailers deliver these gaming activities to the consumer under agreement with the AGLC. The AGLC collects the revenue from these activities for the Alberta Lottery Fund.

Among its other activities, the AGLC:

- Licenses eligible charitable and religious organizations to hold gaming events,
- Regulates gaming activities to ensure compliance,
- Establishes terms and conditions for gaming activities consistent with legislation and policy requirements,
- Regularly reviews and updates the policies and guidelines for gaming activities in consultation with the stakeholders affected by them,
- Works with casino operators and other gaming industry stakeholders to ensure the gaming activities they provide are delivered in a socially responsible manner, and
- Conducts inspection activities, investigations and audits.

Charitable Gaming

In Alberta, eligible groups licensed by the AGLC hold bingos, casinos, raffles and pull-ticket sales. In 2003-2004 over 4,800 licences were issued to charitable groups to conduct charitable gaming activities. To be eligible for a gaming licence, a group must deliver a program or service that provides benefit to a significant segment of the community and the program or service must be reasonably available to all members of the general public who qualify and wish to participate in the program. In addition, the proceeds from gaming activities must be used for charitable or religious purposes.

Charitable or religious purposes include:

- Relief of the aged or disadvantaged, such as relief to the poor or programs for the elderly to remain active in society;
- Advancement of education or learning, such as student scholarships or aid to museums and libraries; or
- Help to the community, such as facilities for community use and support for amateur and competitive athletes.

The charitable organizations that are licensed to conduct gaming activities benefit directly from the proceeds raised. None of the proceeds from casino table games, bingos, raffles, or pull-ticket sales accrue to the AGLC. The AGLC collects a nominal licence fee from these activities to cover the cost related to processing applications.

New casinos

In December 1999, the Minister of Gaming initiated a review of gaming licensing policies and processes. While the review was underway, consideration of requests to license or approve new casinos, casino expansions and relocations, new games and gaming environments were suspended. In 2002, the moratorium respecting new casino facilities was removed, after the development of specific casino terms and conditions to carefully manage and control gaming expansion in the province, including a comprehensive eight-step process for licensing new charitable casinos. As an integral part of the process, communities in which a facility is to be located are provided an opportunity to express support for or lack of support for casino proposals. In addition, views of others provided in writing are considered by the AGLC Board as part of the licensing decision.

Did you know? Alberta's first charitable casino opened at Edmonton's Annual fair in 1967

The eight-step process includes:

- **Step one** – An interested group or individual expresses formal **interest** to develop a casino in a community.
- **Step two** – The AGLC will issue a **notice of expressed interest** for a casino facility determined by the location of the community in which a formal interest in developing a casino has been expressed.
- **Step three** – The AGLC will conduct an **initial assessment** to determine if the responses have merit and meet basic criteria related to market demand and benefit to charitable groups.
- **Step four** – The Board of the AGLC will consider **community support** or the lack thereof, as expressed through the municipal or band council, and may conclude the process if, in the Board's view, the council does not support the concept of a new casino facility in the community.
- **Step five** – The AGLC will **accept detailed proposals** from applicants who have expressed interest in developing a new casino facility in the community under consideration.
- **Step six** – Proposals will be evaluated by a selection committee using stringent criteria and the **best proposal will be selected**.
- **Step seven** – A thorough due diligence **investigation** will be conducted into the proponents and other key persons associated with the selected proposal.
- **Step eight** – If all requirements for a gaming facility are met (federal and provincial legislation, regulation, and policies, and municipal requirements, permits, licences or authorizations), the AGLC will make a recommendation to the Board respecting the issuance of a casino facility **licence** to the successful applicant.

ALBERTA LOTTERY FUND

Gaming Operations

Since the process was initiated in 2002, the AGLC has considered 19 licence applications for traditional casinos in five Tourism Destination Regions (TDRs) in the province, including Edmonton, Calgary, Alberta North, Alberta South, and Alberta Central. All eligible applicants must progress systematically through the eight steps of the comprehensive licensing process before a casino licence may be issued.

The application process for a new casino in the Alberta South TDR was closed during Step Three Initial Assessment, after the AGLC determined that there would not be sufficient additional benefits to charities. The applications for new casinos in the other four TDRs are at various stages in the eight-step process. The current status of casino applications is provided on the AGLC website at www.aglc.gov.ab.ca.

First Nations casinos

Since the process was initiated in 2002, the AGLC has considered nine licence applications for First Nations casinos in four Tourism Destination Regions (TDRs) in the province, specifically Edmonton, Calgary, Alberta Central, and Canadian Rockies. The number of First Nation casinos licensed will depend on many factors, including various market considerations. The casino applications for First Nations casinos are also at various steps in the process and the current status of each application is available on the AGLC website at www.aglc.gov.ab.ca.

Casino expansions and relocations

There is a formal three-step process for the approval of the expansion/major renovation and relocation of an existing casino. In 2003-2004, two applications for casino expansion were completed, as well as one application for relocation. The up-to-date status of casino expansion applications is provided on the AGLC's website at www.aglc.gov.ab.ca.

CasinoTrack system

During 2003-2004, the AGLC continued its implementation of the CasinoTrack system in casino facilities in Alberta. This system, which simplifies the reporting requirements of licensed charities, automates the collection of table game data from casinos. CasinoTrack offers real-time reporting and cash flow monitoring of casino events and improves reporting accuracy. CasinoTrack has been installed in casinos in Edmonton, Calgary, Red Deer and St. Albert. Installation of CasinoTrack throughout the province is expected to be completed by the end of 2004-2005.

Gaming Operations

Bingo Terms & Conditions and Operating Guidelines

The AGLC, with bingo stakeholder input, revised Bingo Terms and Conditions and Operating Guidelines. These terms and conditions are consistent with the government's commitment to the charitable gaming model, in which charities benefit directly from the gaming activities they are licensed to conduct. Based on recommendations from the Gaming Licensing Policy Review, the revisions allow for greater flexibility in bingo programming and operations, and give bingo the opportunity to compete with gaming activities such as casinos. The revisions include:

- Providing bingo associations with the option to involve private operators and hire additional paid staff,
- Restricting bingo workers from playing bingo in their own halls, and
- Providing bingo associations with the opportunity to participate in DIGI (electronic bingo) and Keno.

Bingo Event Management system

The AGLC introduced a new bingo event management system for licensed bingo facilities in 2002-2003, and continued to roll out this point-of-sale and event management system to association bingo halls in 2003-2004. The system was installed in 53 bingo association halls by January 2004. The system automates many of the processes and controls that were previously managed by the halls manually. The system improves reporting accuracy, reduces labour requirements, simplifies work for charities and bingo hall staff, and ultimately improves service to bingo customers.

ALBERTA LOTTERY FUND

MLA Review Committee on Charitable Gaming Licensing Eligibility and Use of Proceeds Policies

On behalf of the Federation of Alberta Bingo Associations, we are pleased with the recommendations included in the report. It is evident that you listened carefully and considered the merits of the submissions.

Shirley Cripps, President
Federation of Alberta
Bingo Associations
September 3, 2003

In 2003, the MLA Review Committee on Charitable Gaming Licensing Eligibility and Use of Proceeds report, which includes 42 recommendations, was completed and the Government accepted 41 of the 42 recommendations. The review, which was lead by Yvonne Fritz, MLA for Calgary Cross, included extensive consultation with charities, industry stakeholders and the public. Its aim was to clarify and update the existing policies and ensure they are accessible, transparent and easy for Albertans and stakeholders to understand.

Some of the approved recommendations include:

- Adult sports groups will be eligible for gaming licences if their sport is open to the public, they deliver a youth division or program in the same sport, at least 50 per cent of the gaming proceeds will be dedicated to the youth division or program, and they meet the basic eligibility requirements for not-for-profit groups.

- Government-licensed, non-profit child care groups, previously ineligible for gaming licences, will be eligible if their child care application process is open to all parents and guardians in the community, they maintain a waitlist open to all parents and guardians in the community, and they provide educational and developmental services to children.

- Groups will be given up to two years to spend their gaming proceeds on programs approved in their licence application, unless otherwise approved by the AGLC.

The full report can be found on the AGLC website at www.aglc.gov.ab.ca.

Charitable Gaming Information program (GAIN)

I just attended an information session presented by your people. It was very well presented and the information was very valuable to myself and our treasurer. Thank you for the extra effort your people went through to give us this information.

- GAIN participant Fall 2003-2004

The AGLC developed and launched the Gaming Information for Charitable Groups (GAIN) program in 2003-2004. This optional program, offered in various locations throughout the province, will help charitable groups gain a better understanding of the responsibilities and requirements of a gaming licence and be accountable to their members and the community at large.

The GAIN program offers an overview of the charitable gaming model focusing on policies regarding gaming licence eligibility, use of proceeds, conducting and managing charitable gaming events, and the financial reporting requirements of a gaming licence. Between November 17, 2003 and March 31, 2004, 44 GAIN sessions were held in 28 communities. These sessions were attended by over 4,700 volunteers, representing in excess of 2,200 groups. Detailed information on this program, including a program outline and training schedule, is available on the AGLC website at www.aglc.gov.ab.ca.

Gaming Operations

Provincial Gaming Activities

The locations in which provincial gaming activities are offered are owned or leased by private sector operators or retailers. These retailers provide space and services for the VLTs, slot machines and ticket lottery terminals under retail agreements with the AGLC. The AGLC, in partnership with the Western Canada Lottery Corporation (WCLC), operates ticket lotteries in the province. Ticket lottery terminals are in locations such as convenience stores and gas stations as well as independently-operated retail outlets.

The following table shows the number of video lottery terminals, slot machines, and ticket lottery terminals in the province at March 31, 2004.

	Number of Video Lottery Terminals	Number of Video Lottery Terminal Locations	Number of Slots	Number of Charitable Casinos and RECs*	Number of Ticket Lottery Terminals	Number of Ticket Lottery Locations
Calgary	1,344	247	1,896	5	570	560
Edmonton	1,217	217	2,822	5	505	498
Other Cities	1,204	203	1,595	8	319	317
Towns	1,584	307	-	-	481	481
Other Communities	643	165	200	1	246	244
	5,992	1,139	6,513	19	2,121	2,100

*Racing Entertainment Centres

Video lotteries

The number of video lottery terminals in operation in Alberta is set at a maximum of 6,000, a limit that has remained in effect since 1995. VLTs are restricted to minors-prohibited bars and lounges.

In 2003-2004, $7.9 billion was paid to players in prizes from VLT gaming. VLT retailers earn a commission of 15 per cent on their VLT net sales, which totaled $104 million in commissions on VLT net sales of approximately $694 million in 2003-2004. The VLT commission rate represents reasonable compensation for the retailer's space and customer services provided. The remaining 85 per cent of VLT net sales is returned to the Alberta Lottery Fund after the AGLC's operating costs are deducted.

Did you know?
Alberta is one of eight provinces with a legal VLT program. Ontario and British Columbia are the only provinces that do not have legal VLTs.

ALBERTA LOTTERY FUND

Gaming Operations

Reducing number of VLT locations

During 2003-2004, the AGLC continued to reduce the number of locations with VLTs as part of its commitment to reduce the overall number of locations by 10 to 15 per cent over three years, as recommended by the Gaming Licensing Policy Review. This process of reduction began in 2001-2002 and is expected to reach the target by 2004-2005. By the end of 2003-2004, the overall number of VLT locations has been reduced by 12 per cent.

VLT Gaming Entertainment Rooms (VGERs)

Did you know?
A VGER is a video lottery terminal (VLT) gaming entertainment room within a facility, which contains a minimum of 15 VLTs and a maximum of 25 VLTs.

The reduction of VLT locations in the province is the result of the VLT allocation policy adopted in 2001-2002, and the establishment of VLT Gaming Entertainment Rooms (VGERs). VGERs may have up to 25 video lottery terminals and require higher facility standards in terms of service and security than regular bars and lounges with VLTs. As of March 31, 2004, there were 37 VGERs with 689 VLTs.

Responsible gaming features in new VLTs

In 2001-2002, the AGLC committed to replacing their aging and obsolete video lottery terminals. The replacement project began in May 2003 and was completed in January 2004, nine weeks ahead of schedule and $10 million under budget.

The new VLT features, which target the at-risk gambler and problem gambler, include "reality checks" for players such as:

- A clock that is visible on the screen at all times. This will allow players to track the amount of time they are playing.
- Timed pop-up announcements that remind players of how long they have been playing. Players are then asked if they wish to continue or end the session.
- A bank that is posted in both dollars and credits to help players better monitor and keep track of how much has been wagered.
- A problem gambling helpline message and a toll free Gamblers Help Line phone number scrolls across the screen.

The effectiveness of these features and other responsible gaming programs is being evaluated in a three-year study.

Gaming Operations

VLT plebiscites

On April 28, 2003, the Court of Queen's Bench handed down its decision regarding a constitutional challenge of the provisions of the *Gaming and Liquor Act*. The decision to dismiss the constitutional challenge lifted the four-year old injunction and upheld the *Gaming and Liquor Act*, which authorizes the AGLC to remove VLTs from seven municipalities that voted by plebiscite to remove them. On April 29, 2003, the AGLC removed 199 VLTs and terminated the Agreements with 36 retailers from the following seven municipalities:

- Canmore
- Coaldale
- County of Lethbridge No. 26
- Lacombe
- M.D. of Opportunity No. 17
- Regional Municipality of Wood Buffalo (including Fort McMurray)
- Stony Plain

The 199 VLTs were re-allocated to new and existing retailers elsewhere in Alberta.

Slot machine operations, sales and commissions

Slot machines are located in casinos and racing entertainment centres (RECs).

Did you know?
Slot machines were introduced into Alberta's charitable casinos in 1996.

The proceeds from slot machines in Licensed Casino facilities are divided as follows:

- 15 percent is provided as a commission to the Licensed Casino Facility Operators as compensation for the costs for space and customer service;
- 15 per cent is paid to the charities holding licensed events in casinos; and
- 70 per cent goes to the Alberta Lottery Fund (after AGLC operating costs are deducted).

The proceeds from slot machines in Racing Entertainment Centres are divided as follows:

- 15 percent is provided as a commission to REC Operators as compensation for the costs for space and customer service; and
- 85 per cent goes to the Alberta Lottery Fund (after AGLC operating costs are deducted).

In 2003-2004, sales on slot machines totaled approximately $9.3 billion. Of this total, $8.6 billion was paid out in prizes. $102.3 million was paid to casino and REC operators, about $95.1 million was paid directly to the charities, and $479 million went to the Alberta Lottery Fund, which is used to support thousands of volunteer groups and public and community-based initiatives throughout Alberta.

ALBERTA LOTTERY FUND

Gaming Operations

Slot machine games

The AGLC regularly changes the mix of slot machine games in casinos and RECs in response to player demand for different entertainment options, and to give players a variety of play experiences. In 2003-2004, more than 600 theme game changes were made to the slot machine program. Other product highlights during the year included the introduction of:

- 1-cent (penny) credit games,
- Multi-denominational slot machines which enables players to select a different denomination of play on the same game, and
- A new 5-cent Wide Area Progressive game called Jackpot Junction with three levels of prizes which start at a $10,000 payout for the "Grand" level, a $5,000 payout for the "Special" level, and a $2,500 payout for the "Express" level.

During the year, 600 obsolete slot machines were replaced. Overall, the number of slot machines increased by 166 in 2003-2004 over the previous year, to 6,513 slot machines from 6,347.

In 2003-2004, slot merchandise prizes included 19 vehicles. On March 19, 2004 the highest progressive slot machine prize in provincial history was won – more than $1.4 million was won at the Calgary Stampede Casino by a 34-year-old Calgary warehouse worker.

Security Track system

During the fiscal year, the AGLC began installing the Security Track system. This new system is designed to ensure the security and integrity of the slot machine network, in casinos through meter verification, error verification, communication and alarm status. During the first phase, completed in 2003-2004, security tracking modules were installed into each slot machine in the network. In phase two, scheduled for fall 2004, security tracking functionality will be tested. Complete installation of the Security Track system in all casinos is scheduled for 2005-2006.

Racing Entertainment Centres

Racing Entertainment Centres (RECs), which are licensed by the AGLC, are gaming facilities with slot machines that are adjacent to licensed race tracks that offer live horse racing. A portion of the revenue from REC slot machines go through the Alberta Lottery Fund to the horse breeding and racing industry. The balance of the slot machine revenue remains in the Alberta Lottery Fund to benefit other Alberta community initiatives. Gross sales from slot machines at RECs for 2003-2004 was $43.2 million with commissions to the race track operators of $6.3 million. The lottery fund received $36.9 million.

The REC at Edmonton Northlands has 500 slot machines and the REC at Whoop-up Downs in Lethbridge has 99 slot machines. During the last fiscal year, the AGLC licensed a new REC at Grande Prairie Evergreen Park with 25 slot machines. An application was made by the Westerner Park in Red Deer to operate an REC, but the application was subsequently withdrawn.

Gaming Operations

SEGA race games

In response to the Auditor General recommendations, the AGLC procured 11 SEGA race games from casino and REC operators in 2003. Procuring the SEGAs ensures that all electronic terminals are controlled by the AGLC as required by the *Criminal Code* (Canada). The 11 race games and their 191 satellites, owned by the AGLC, are operating at nine charitable casinos and two RECs throughout Alberta. In addition, the SEGA game at the Silver Dollar Casino in Calgary was removed.

Nine of the SEGA units are operating at Casino ABS, Casino Calgary, Casino Lethbridge, Casino Yellowhead, Baccarat Casino, Palace Casino, Stampede Casino, Cash Casino Calgary, and Elbow River Casino. Following the purchase of the SEGA games by the AGLC, the revenue split from the games in the casinos was adjusted as follows: 15 per cent charities commission, 70 per cent Alberta Lottery Fund and 15 per cent casino operator commission.

The two RECs that operate SEGAs are Northlands Race Track and Whoop-Up Downs. In RECs, the revenue split is 15 per cent to the operator and 85 per cent to the Alberta Lottery Fund.

Did you know? SEGA is an electronic horse racing game introduced in October 1996.

Summer fairs

Each year the AGLC approves temporary casinos at major exhibitions and summer fairs. These casinos generally include slot machines and table games. The fairs that featured temporary licensed casinos on their exhibition grounds included the Calgary Stampede, with 556 slot machines, and Edmonton Klondike Days, with 350 slot machines. Other major exhibitions that had slot machines during the summer fair included those in Medicine Hat (50 slot machines), Red Deer (100 slot machines), Camrose (150 slot machines), and Grande Prairie (35 slot machines during live racing). During the Edmonton and Calgary summer fairs, the AGLC introduced various lease games on a trial basis for evaluation. For example, during the past summer, the Aristocrat penny denomination slot machines were introduced and later installed in casinos across the province.

The slot machines at the summer fairs generated net sales of $3.5 million compared to $3.4 million in 2002-2003. Of this amount, about $1.0 million was provided to the agricultural non-profit societies that held the summer fairs, and the balance was deposited into the Alberta Lottery Fund.

Did you know? Temporary casinos at summer fairs benefit major agricultural non-profit societies.

Ticket lotteries

There were 2,121 ticket lottery terminals at 2,100 locations as of March 31, 2004, compared to 2,133 ticket lottery terminals at 2,111 locations as of March 31, 2003. Retailers in the network include national corporate chains as well as independently operated retail outlets.

Did you know? In 1975, the first-ever lottery ticket, *The Western*, was sold.

Ticket lottery sales, prizes and commissions

Ticket lottery sales decreased by 0.1 per cent in 2003-2004, to $442.1 million compared to $442.6 million in the previous fiscal year. Increases in the Instant and Super 7 products were offset by a decrease in Lotto 6/49 and *Breakaway to Win* products. The number of bonus draws held in this fiscal year remained at 14, the same as last year. The following table is a summary of ticket lottery sales in 2003-2004 compared to sales in 2002-2003. The sale of Lotto 6/49 tickets comprises 27 per cent of total ticket sales.

(thousands of dollars)	**2004**	2003
Lotto 6/49	**117,160**	124,058
Instant	**94,557**	87,994
Super 7	**87,477**	83,480
Sport Select	**42,189**	41,831
The Plus	**40,611**	42,451
Extra	**21,207**	20,113
Western 6/49	**21,128**	22,056
Pick 3	**10,626**	9,753
Breakaway to Win	**2,819**	8,047
Special Event	**2,554**	2,826
Keno	**1,740**	-
	442,068	442,609

In 2003-2004, $230.1 million was paid to players in prizes from ticket lotteries. There were 12 prizes paid greater or equal to $1 million. The largest prize paid was $10.8 million to Patty Gau and Barry Funk of Sherwood Park. This prize was won on a Super 7 ticket and was a new Alberta record.

Did you know? Lotto 6/49 was launched in 1982.

Ticket lottery retailers earn commissions of five percent on their gross sales, a two percent redemption commission based on prizes paid out from their location as well as an additional compensation based on sales volumes. This totaled $30.5 million in commissions on lottery ticket gross sales of approximately $442.1 million in 2003-2004. In 2002-2003, the total in commissions were $30.6 million on gross sales of $442.6 million. The retailer commission rate represents reasonable compensation for the retailer's space, customer service and a return on investment. The remaining proceeds from ticket lottery sales are returned to the Alberta Lottery Fund after the AGLC/WCLC operating costs are deducted.

Lotto 6/49 lottery ticket

Did you know?
The New Lotto 6/49 will have bigger jackpots – more often!

After extensive research and public consultation by the Interprovincial Lottery Corporation (ILC), it was recently announced that Lotto 6/49, the most popular lottery ticket based on sales and player participation, will be rejuvenated in 2004-2005. Research indicated that players wanted larger jackpots and more chances to win.

To address these demands, the ticket price was increased from one dollar to two dollars in May 2004. The higher ticket price will result in higher jackpots and new prizes. The new jackpot sequence runs from $4 million to $10 million to $18 million to $25 million.

In addition, the Plus add-on game was replaced in May 2004 by the successful Extra, which is available on Super 7 tickets.

Ticket lotteries bring approximately $175 million to the Alberta Lottery Fund each year. This money is put to work benefiting communities across Alberta.

NHL lottery tickets

Over the past two years, Albertans had an opportunity to support the Calgary Flames and Edmonton Oilers by purchasing the NHL instant tickets: *Break Away to Win, 3 star selection* and the *Ford Expedition Road Trip*. The fifth and final NHL lottery ticket from the AGLC's partnership with the hockey clubs, the $5 Ford Expedition Roadtrip, was released on January 12, 2004. Since its introduction in 2002-2003, this lottery initiative has provided two tickets per year which have generated $4.96 million for the two hockey clubs. The AGLC's committment to this lottery initiative will conclude at the end of the 2003-2004 fiscal year and as a result, this initiative will end at the close of the 2003-2004 hockey season.

Under this innovative partnership, the AGLC provided expertise in lottery ticket design and the use of the retail network for the distribution of lottery tickets and the two hockey clubs were responsible for all marketing and advertising costs for the NHL lottery tickets.

Keno

Keno was introduced in bingo association halls in May 2003. By August 2003, 28 bingo association halls chose to introduce Keno to their customers. As with DIGI (electronic) bingo, the aim of this new gaming activity is to help bingo compete with other gaming entertainment activities. As of March 31, 2004, Keno generated gross sales of $1.7 million. Of this amount, $0.9 million was returned as prizes to players and $87 thousand was paid to the charities hosting the events in commissions. The balance, net of operator commission and certain AGLC costs, flows through the Alberta Lottery Fund and is returned to the host charities.

ALBERTA LOTTERY FUND

Gaming Operations

Electronic bingo (DIGI bingo)

We are extremely pleased with the DIGIs and the extra profits they have brought to the charities in our Association.

Teresa Young,
President, Fort Road
Bingo Association
September 23, 2003

The AGLC conducts and manages an electronic bingo network. DIGI bingo, which is facilitated by electronic hand-held bingo units, was introduced to bingo association halls in 2003-2004 in response to a recommendation of the Gaming Licensing Policy Review. The installation of DIGI bingo, which began in April 2003 at the halls that chose to participate, is designed to help the bingo industry compete with other gaming activities.

As of March 31, 2004, there were 1,420 DIGI bingo units in 26 bingo association halls in Alberta, which generated gross sales of $14.4 million. Of this amount, $9.8 million was returned in prizes to players and $0.7 million was generated for charities hosting the events as commissions. The balance, net of operator commissions and certain AGLC costs, flows through the Alberta Lottery Fund and is returned to the host charities.

Research into Internet gaming

The AGLC, in cooperation with the Western Canada Lottery Corporation and the Interprovincial Lottery Corporation, is monitoring and conducting further research into Internet gaming activities. While the AGLC does not have any immediate plans to offer lottery products or other gaming products on the Internet, it is recognized that Internet gaming and e-commerce are commonly available. Before determining public policy on distribution of gaming products through the Internet, the AGLC will consult Albertans.

Compliance

Compliance

The compliance activities of the AGLC maintain the integrity and security of gaming and liquor activities in the province.

Regulatory Division

The Regulatory Division is responsible for enforcing regulations and policies related to gaming and liquor activities. The Division issues licences for charitable gaming activities as well as certain gaming facilities, such as casinos and bingo halls, and the sale of liquor. In addition, this Division is responsible for inspection activities, investigations and audits.

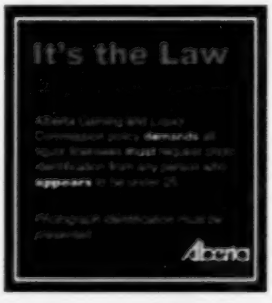
The Division ensures that clients and stakeholders are aware of the regulatory requirements relating to gaming and liquor activities. It publishes and updates policy and guideline manuals for distribution to gaming service providers and liquor retailers.

Inspection activities

In 2003-2004, the AGLC conducted 23,710 liquor inspections of liquor establishments to ensure the operators or retailers were meeting the requirements of the *Gaming and Liquor Act*, Gaming and Liquor Regulation, and policies of the AGLC. As a result, 633 incident reports were generated. Incident reports detail alleged contraventions and are used in the process of taking disciplinary action against a licensee. The five main areas of contraventions are:

- Illegal liquor – the sale of liquor imported directly from out of the province, or the sale of homemade wine, beer or ciders
- Liquor service to minors – sale of liquor to minors or allowing minors in a minors-prohibited premise
- Over-service – sale or provision of liquor to intoxicated persons
- After-hours service – sale or provision of liquor to patrons after the hours provided in regulation
- Prohibited relationships between liquor suppliers and licensees – legislation and policies set out the business practices allowed between these parties
- Contravention of the Under 25 ID policy

Violations that would give rise to a penalty or hearing under the *Gaming and Liquor Act*, Regulation or AGLC policy are referred to the Board for disposition. The Board may delegate authority to the AGLC to offer the licensee a specified penalty related to the offence under certain situations. In these situations, the liquor licensee has the option of accepting the penalty or appearing before a hearing panel of the Board.



Compliance

The integrity of gaming in the province is paramount to the AGLC and its stakeholders, including beneficiaries of gaming revenue, players, the gaming industry and all Albertans. The AGLC works with stakeholders to ensure games are operated fairly and according to consistently applied rules and procedures. The gaming policies and compliance activities of the AGLC are aimed at ensuring the integrity and security of gaming operations.

The AGLC also aims to ensure gaming activities are conducted in a socially responsible manner, while providing financial returns to volunteer, public and community-based initiatives throughout Alberta.

AGLC inspectors visit gaming establishments to ensure the operators or retailers are meeting the requirements of the *Gaming and Liquor Act*, Gaming and Liquor Regulation, and policies of the AGLC. These requirements include meeting local bylaws such as the appropriate municipal approvals and fire authority approvals. During the past year, the AGLC conducted 4,652 gaming inspections and 172 audits and generated 39 incident reports. Incident reports detail alleged contraventions, and are used in the process of taking disciplinary action against a licensee or registrant.

The AGLC recognizes that each specific gaming stream has unique inspection requirements and therefore created specialized casino and bingo inspection units in 2002-2003. These dedicated inspection units apply their specific gaming knowledge to the bingo and casino industry as they continue to preserve the integrity of charitable gaming in Alberta.

Significant violations or infractions that would give rise to a penalty or hearing under the *Gaming and Liquor Act*, Regulation or AGLC policy are referred to the Board. In certain situations, the Board has delegated authority to the AGLC to offer the licensee or registrant a specified penalty related to the offence. The licensee or registrant can choose to accept the penalty or appear before a hearing panel of the Board.

Compliance

Investigations

The AGLC conducts background and due diligence investigations on all companies and individuals involved in the gaming industry in Alberta including: casino facilities, racing entertainment centres, VLT gaming entertainment rooms, gaming suppliers, gaming terminal suppliers, gaming workers and raffle ticket managers. These intensive investigations prevent those who may be a detriment to gaming from gaining entrance into the gaming industry. During 2003-2004, 198 background/due diligence investigations were conducted, compared to 231 in 2002-2003.

In 2003-2004, the AGLC handled 433 gaming-related criminal investigations that resulted in 25 individuals being charged with various offences under the *Criminal Code* (Canada). Charges include those related to theft, fraud, forgeries and cheating at play. This compares to 412 criminal investigations resulting in 41 individuals being charged in 2002-2003.

The AGLC is a member of the Gaming Investigation Team (GIT), established in 2001-2002. The objective of the GIT is to deter organized crime from gaining a foothold in the gaming industry in Alberta. Funded by the AGLC, this joint force of law enforcement bodies is mandated to identify and prosecute illegal gaming activities (for example, theft, fraud, cheating at play, after-hours poker clubs, illegal gaming machines, money laundering, loan sharking and bookmaking). GIT has representation from AGLC, Alberta Justice, Criminal Intelligence Service Alberta, Solicitor General and major police services throughout Alberta.

One of the recent successful GIT investigations concluded with charges being laid against eight individuals for their alleged involvement in an illegal pyramid scheme and illegal lottery that had been in operation in Canada since April 2001. In 2003-2004, GIT carried out 56 criminal investigations that resulted in nine individuals being charged with offences under the *Criminal Code* (Canada).

Compliance

Tobacco investigations and inspections

Visit the new tobacco website at www.aglc.gov.ab.ca/tobacco/

The *Tobacco Tax Act* in Alberta is administered by Alberta Revenue. The AGLC is responsible through a memorandum of understanding with Alberta Revenue to provide enforcement and investigative services to prevent the illegal sale and smuggling of tobacco products. The AGLC also conducts investigations related to fraudulent claims under the *Tobacco Tax Act* and the *Fuel Tax Act*. Through its partnership arrangement, Alberta Revenue and the AGLC work collaboratively to minimize the potential loss of tax revenue.

The AGLC continues to work closely with Alberta Revenue, AADAC, Canadian Revenue Agency (CRA), Canadian Border Service Agency (CBSA), Health Canada, RCMP, and other provincial regulators to prevent the loss of revenue from intra-provincial diversion, inter-provincial smuggling and international smuggling of tobacco.

In 2003-2004, the AGLC conducted 899 investigations related to tobacco smuggling and tobacco diversion, resulting in 87 companies and individuals being charged under the *Tobacco Tax Act*. It also conducted 2,660 compliance visits at tobacco retailer locations in 2003-2004 to ensure compliance with provincial tobacco legislation. The visits resulted in 26 retailers found to be in non-compliance (six of whom were charged and convicted with possession of unlawful product).

In October 2003, the Tobacco Enforcement Unit of the AGLC and the RCMP conducted a search and seizure in Kirkcaldy, southwest of Calgary. This was the first time in Canada that a warrant was executed for tobacco under the new *Excise Tax Act 2001*. A number of items were seized by the unit in cooperation with the RCMP and Excise Canada. Charges under the *Excise Tax Act 2001*, the *Controlled Drugs and Substances Act* and the *Tobacco Tax Act* are still before the courts.

A key part of the Tobacco Enforcement Unit's 2003-2004 business plan included educating stakeholders and the public about the *Tobacco Tax Act* and the consequences of contravening it. To this end, the AGLC provided seminars and one-on-one consultation to educate stakeholders and partners including Alberta Revenue and police agencies. The AGLC also added a new page to its website which provides current enforcement statistics and a searchable database of tobacco related convictions.

Any concerns regarding illegal tobacco activity should be directed to the AGLC at 1-800-577-2522.

Compliance

Forensic audit

Routine audits are conducted on gaming stakeholders to ensure they are complying with the *Criminal Code* (Canada), the *Gaming and Liquor Act*, the Gaming and Liquor Regulation, and AGLC policies. Forensic audits assist the Regulatory Division in financial analysis, theft investigations, due diligence investigations, policy reviews, and responding to third-party complaints and stakeholder requests.

During 2003-2004, there were 204 new forensic audit files and 127 carried over from 2002-2003 for a total of 331 files.

In 2003-2004, the AGLC concluded work on 190 files, an increase of 17 per cent from the number of files concluded in 2002-2003. As a result, there were 141 files that remained open at year end. The 190 files concluded this year involved:

- 11 bingo association audits (six financial audits and five operational audits),
- 58 licensed charitable group audits,
- 8 Alberta Lottery Fund audits,
- 70 assistance audits, and
- 43 due-diligence investigations.

Charitable gaming audits are conducted on charities that conduct casinos, bingos, pull-tickets or raffles. As a result of the 58 random licensed charitable group audits (routine audits) and 28 of the 70 assistance audit files, 172 charitable gaming licences were audited. Of these audited licences, 125 were found in non-compliance with the *Gaming and Liquor Act*, Gaming and Liquor Regulation, and AGLC policies. The most common forms of non-compliance were charity's misuse of gaming funds (purposes that were not approved), or operating a raffle or pull-ticket event that did not follow the terms and conditions for these types of events.

Forensic Audit referred 106 audit files to the Board, resulting in the following actions:

- Fines imposed of $18,021
- 32 warning letters issued
- $1,614,249 of charitable gaming dollars recovered to licensees gaming accounts
- 2 groups had their eligibility status cancelled

Use of charitable gaming proceeds

The purpose of charitable gaming in Alberta is to benefit charitable and religious groups. Proceeds from charitable gaming are intended to be used in a way that directly benefits communities. To ensure accountability and transparency in charitable gaming, groups that apply for gaming licences must specify how they intend to use the proceeds generated through charitable gaming activities and must submit financial reporting forms within a specified timeframe after their event. These practices help to ensure that the integrity of gaming is maintained and that the organization is accountable to its members and the community at large.

To be eligible for participation in charitable gaming events, the groups must deliver a program or service that provides a benefit to a significant segment of the community. If the proposed use of gaming proceeds is for charitable or religious purposes, as required by legislation, regulation and AGLC policies, and the organization meets all other criteria, the AGLC will approve the application.

All licensed groups must report on the use of proceeds earned from charitable gaming activities to ensure that the proceeds were spent according to the purposes approved by the AGLC. Charitable gaming proceeds must only be spent on AGLC approved:

- Prizes,
- Expenses, and
- Charitable or religious purposes.

If a group has spent gaming proceeds for purposes that were not approved, it may be required to refund the amount expended. The AGLC may also contact the group to further investigate the use of funds. Depending on the response, the matter may be referred to the Regulatory Division, or the group may be scheduled for an audit.

Each year, the AGLC conducts random and selected audits of licensed groups that have held charitable gaming activities, to determine whether they have used the proceeds for the purposes set out in their licence application.

Compliance

Board hearings

Hearings into allegations of licensee violations of legislation and AGLC policy are conducted by the Board. The Board functions separately from the AGLC and conducts hearings in an impartial manner. During a hearing, the Board may hear testimony of witnesses and review documents presented as evidence from the licensee and the AGLC.

After hearing all available information, the Board decides whether or not a violation has occurred. The Board's decisions, including the reasons for their ruling, are provided in writing to the licensee or registrant.

The Board may impose the following sanctions for violations:

- Issue a warning,
- Impose conditions on the licence or registration or rescind or amend existing conditions on the licence or registration,
- Impose a fine of not more than $200,000 and refuse to issue or reinstate a licence or registration until the fine is paid,
- Suspend or cancel the licence or registration,
- Require a person to dispose of an interest in the business under which the activities authorized by the licence or registration are carried out, or
- Require a person to dispose of an interest in licensed premises or facilities.

A licensee or registrant may apply to the Court of Queen's Bench for a judicial review of the decision.

In 2003-2004, the Board held 126 liquor-related hearings. As a result of these hearings, 90 fines were assessed, 18 suspensions were served, 13 warnings were issued, four cases were dismissed and one decision resulted in a judicial review application.

In addition, the Board held 24 gaming related hearings, compared to 56 in 2002-2003. As a result of these hearings, five fines were assessed, two warnings were issued, one matter was dismissed, one Gaming Worker registration was cancelled, and one decision resulted in a judicial review application. The remaining 14 hearings were of a non-disciplinary nature.

The Hearing Panel also heard 13 appeals related to liquor and gaming licence applications that were rejected by the AGLC. Seven of these appeals were denied, five appeals were upheld, and one has yet to be resolved.

More information on Board hearings and penalties is available on the AGLC website at www.aglc.gov.ab.ca.

Human Resources

Human Resources

The AGLC is proud of its skilled, dedicated and knowledgeable employees who continue to deliver high quality service to Albertans and stakeholders. In this fiscal year, stakeholder surveys again indicate high levels of satisfaction with services provided by AGLC employees. In 2003-2004, satisfaction with AGLC services by liquor industry clients, gaming industry clients, and retailers ranged from 94 per cent to 98 per cent. These high levels of client satisfaction are a direct reflection of the high level of importance that all AGLC staff place on providing excellent service to clients.

In the 2004 employee survey, 89% of employees reported that they are satisfied with their employment at the AGLC.

In addition to external consultations with clients, the AGLC is also committed to consulting with employees on work related issues and conducts annual surveys about employees' personal and professional satisfaction with the organization. The 2004 employee survey indicates that staff satisfaction levels have increased slightly over the previous year, with 89 per cent of employees satisfied with their employment. In addition, the majority of employees (88 per cent) also report they feel a sense of personal accomplishment in their work.

Strategic human resource plans developed by the AGLC help the organization to identify specific programs, such as continuous learning and development, to ensure its employees have the knowledge and skills to accomplish business plan goals. Learning opportunities include participating in the Senior and Executive Management Development Program and the Corporate Executive Development Program at the University of Alberta, along with a variety of industry-specific training programs, including investigative techniques, fraud seminars and others.

Human Resources

The organization is also committed to contributing to the health and wellness of its employees. The AGLC offers staff a number of programs including Flu Immunization, First Aid training and Employee Assistance. This year, the AGLC initiated a series of *Healthy Choices* Lunch-and-Learn sessions to provide employees with more information on healthy lifestyle choices. This year's Lunch and Learn topics included:

- Professional nutrition advice,
- Massage therapy,
- Building stamina, managing fatigue in the workplace,
- Eating for energy,
- Fitness through function, and
- Backtalk (stretching and exercises to reduce back soreness).

In addition, each year, the AGLC participates in Corporate Challenge and encourages all employees to become involved as athletes or volunteers.

On June 1, 2004 the AGLC building became a non-smoking facility. In conjunction with the change, interested staff were invited to participate in smoking cessation sessions presented by AADAC Tobacco Reduction Counselors.

The AGLC continues to engage employees and seek input into improving work processes, existing rules and procedures. This year, the organization announced the formation of the *Y Files Committee*, a cross-divisional committee that will review employee suggestions on improving existing rules and procedures.

With the input of its employees, the AGLC will ensure its human resource programs continue to be valuable and meaningful, and meet employees' needs.

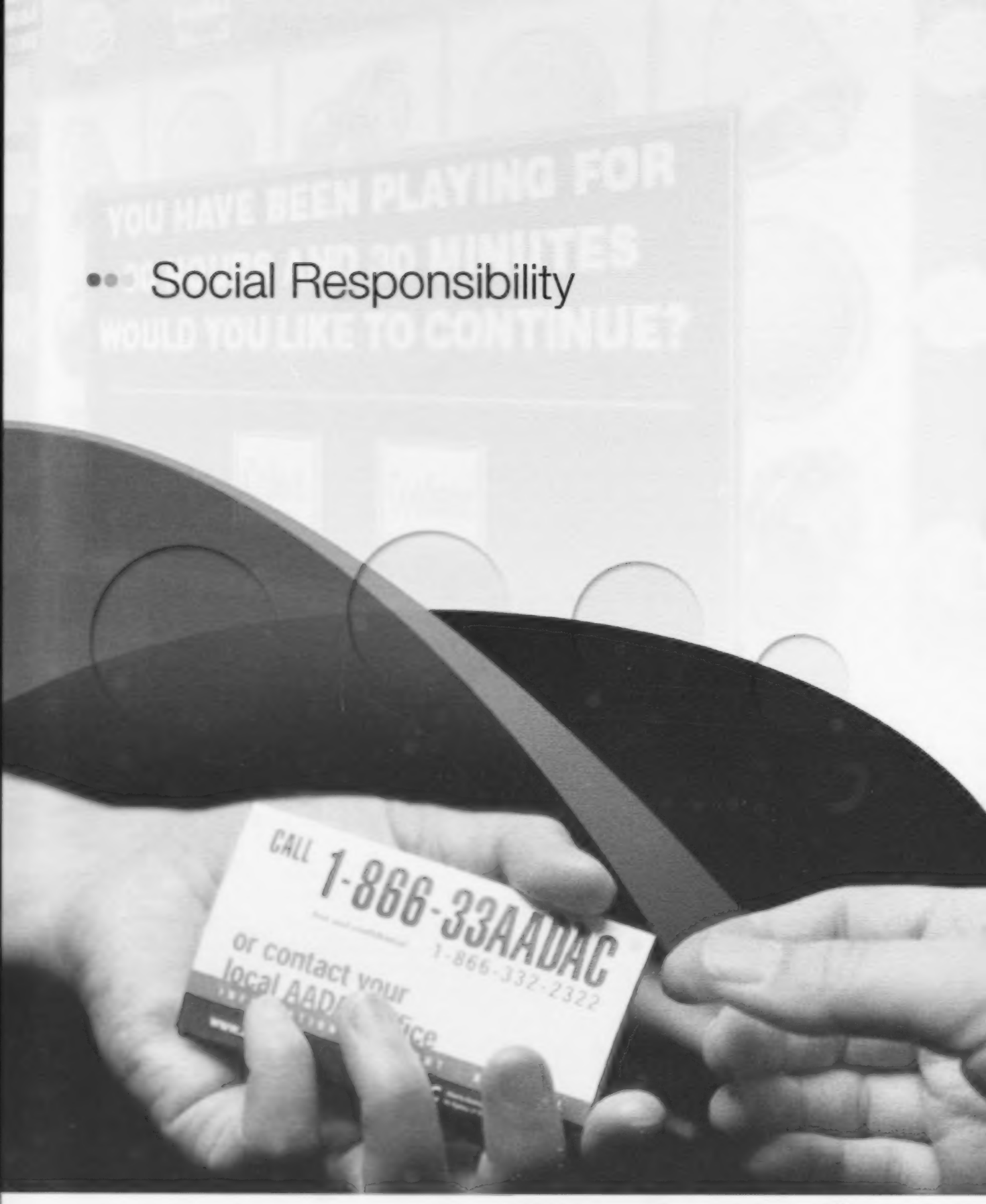
Premier's Award of Excellence

In 2003-2004, the AGLC entered a submission for a Premier's Award of Excellence for the work of the Gaming Licensing Policy Review (GLPR) project team and was recognized with a Bronze Award in June 2004. The Premier's Award of Excellence program promotes and recognizes superior service and business practices in the Alberta Public Service. The work of this cross-divisional GLPR team led to the development of recommendations to effectively manage and control the growth of gaming in the province and to ensure the effective regulation and socially responsible delivery of gaming activities.

This policy review was the first comprehensive review of gaming policies in the province. It included extensive input from the public and stakeholders. All of the team's recommendations were approved by the Government and the key policy directions have been successfully implemented by the AGLC.

This is the AGLC's second Premier's Award of Excellence. In 2002-2003, the Technical Services Branch of the AGLC was recognized with a Silver Award for its work as an ongoing work unit.

Social Responsibility



Social Responsibility

The AGLC is directly involved in programs, projects and initiatives related to responsible gaming and the responsible use of alcohol products. The AGLC ensures that various social responsibility requirements set out in legislation, regulation and policy are being met by licensees and the public, including advertising and other promotions of liquor and gaming products and services.

Did you know? The legal age for participating in the majority of gaming activities is 18 years of age. This includes VLTs, slot machines, lottery tickets, raffles and pull-tickets.

To ensure that the best interests of all Albertans are served, a new division devoted to social responsibility issues and initiatives was created during the past fiscal year. The Social Responsibility Division will develop a focused and consistent approach to social responsibility in its coordination of current efforts that encourage responsible gaming and the responsible sale and consumption of alcohol. This new division will work extensively with our wide-ranging stakeholder groups including the liquor and gaming industry, charitable and non-profit groups, research and educational institutions, other regulatory and enforcement agencies, prevention and treatment service groups and communities. In collaboration with these organizations, the Social Responsibility Division will facilitate the development of programs, policies and regulations, based on sound research, which promotes social responsibility in the gaming and liquor industries.

In relation to the gaming industry, the Social Responsibility Division will:

- Monitor emerging issues and trends and, where necessary, develop policies to address the social and economic implications of these issues.
- Partner with AADAC and the gaming industry to develop and deliver programs related to the responsible delivery of gaming entertainment.
- In partnership with AADAC and the gaming industry, ensure consumers of gaming products are aware of prevention and treatment programs for problem gambling.
- Conduct research into various aspects of gaming related attitudes, problem gambling, and economic analysis.

On the liquor side of the industry, the Social Responsibility Division will:

- Monitor emerging issues and trends and, where necessary, develop policies to address the social and economic implications of these issues.
- Partner with AADAC and the liquor industry to develop and deliver programs related to the responsible sale and consumption of liquor.
- In partnership with AADAC and the liquor industry, ensure consumers of alcohol are aware of prevention and treatment programs for alcohol abuse.
- Support research and education related to the responsible use of alcohol in areas such as Fetal Alcohol Spectrum Disorder (FASD).
- Work in collaboration with communities, the liquor industry, other enforcement agencies and AADAC to develop new campaigns and initiatives that encourage the responsible sale and consumption of liquor.

Alberta adolescent substance use follows typical North American patterns but is lower, in most cases, than in Ontario and Nova Scoria.

The Alberta Youth Experience Survey 2002

Social Responsibility

Liquor

The AGLC encourages liquor licensees and manufacturers to promote the responsible use of alcohol when advertising and promoting liquor products and services. The AGLC ensures that various social responsibility requirements set out in legislation, regulation or policy are being met by licensees and the public, including advertising and other promotions of liquor products and services.

The AGLC works with the Alberta Alcohol and Drug Abuse Commission (AADAC) to provide consumer information by distributing booklets, pamphlets and periodicals to liquor licensees. Materials include quick facts about alcohol, drugs and gambling, and addictions awareness. AADAC develops and carries out treatment programs for those with alcohol and other drug dependencies.

Alberta Server Intervention Training Program Society (ASITPS)

During the year, the AGLC worked with the liquor industry to develop a new province-wide certification program for liquor industry staff. An industry led society called the Alberta Server Intervention Training Program Society (ASITPS) has been formed to develop the program in conjunction with various industry stakeholders and AADAC.

It is anticipated that this training program, which is expected to be launched in 2004, will ensure that those involved in the sale of liquor to the public will be trained under a uniform system with the highest standards and, in turn, raise awareness and promote the responsible consumption of liquor. As a result of the training, servers will become more adept at recognizing the symptoms of intoxication and in dealing responsibly with individuals who have over-consumed. In addition, increased awareness will reduce the incidence of service to minors. Overall, the Alberta Server Intervention Training program will facilitate the responsible sale and service of liquor.

Fetal Alcohol Spectrum Disorder (FASD)

The AGLC participates on the Alberta FASD Cross Ministry Committee on Fetal Alcohol Spectrum Disorder, a provincial group that is intended to be the primary vehicle to support a collaborative approach to planning and delivering provincial government programs and services associated with FASD. The Social Responsibility Division of the AGLC will work with this group and with industry representatives and other stakeholders to prevent FASD.

Social Responsibility

Checking for Minors – Under 25 Photo ID Policy

The AGLC takes the issue of minors attempting to purchase alcohol very seriously.

The Under 25 photo identification initiative was introduced in liquor stores in 1994 and extended to all liquor licensees in 1996 in response to concerns voiced by the public. Under this initiative, all liquor licensees must request photo identification from anyone who appears to be under the age of 25.

An audit of licensed premises conducted in 2002 indicated that only 23 per cent of individuals who appeared to be under 25 were asked for identification. To improve this rate of compliance, the AGLC sent caution letters to licensees who failed the investigation, provided training and "It's the Law" awareness posters to all licensees, and increased penalties for violations. An audit conducted in 2003 indicated a significant improvement in the rate of compliance with the policy to 67 per cent. In the last fiscal year, there were 336 infractions of the Under 25 Photo ID policy, which resulted in over $200,000 in fines. In addition, there were 34 three-day suspensions, three two-day suspensions, one one-day suspension and six warnings.

The AGLC continues to promote awareness of the Under 25 initiative to industry stakeholders and will conduct a similar audit in 2004. As part of its on-going efforts to keep liquor out of the hands of minors, the AGLC recently launched a new awareness campaign called "Hard to Tell – Have to Ask". The poster, which has been provided to all liquor licensees in Alberta, shows five young Albertans and asks if you can spot the minor. More information about this campaign is available on the Social Responsibility section of the AGLC website at www.aglc.gov.ab.ca/social. Additional information about minors is also on the website including:

- How to Identify Minors - Facts
- Under 25 Initiative Audit Report
- It's the Law Poster

Social Responsibility

Gaming

The AGLC is committed to delivering gaming activities in the province in a manner consistent with the expectations of Albertans. The AGLC is directly involved in programs or projects related to responsible gaming. Through the regulation of gaming activities, the AGLC can ensure various social responsibility requirements set out in legislation, regulation or policy are being met by licensees and the public.

The AGLC works with the Alberta Alcohol and Drug Abuse Commission (AADAC) to distribute booklets, pamphlets and periodicals on a variety of topics to gaming licensees. Materials include quick facts about alcohol, drugs and gambling, and addictions awareness. AADAC develops and carries out treatment programs for problem gamblers and those with alcohol and other drug dependencies.

Information about responsible gaming programs are available to players at gaming venues. Information about AADAC's 24-hour problem gambling help-line (1-866-332-2322) is displayed or made available in casinos, bingo halls, VLT retailer locations, and ticket lottery retail outlets throughout the province.

The *Gaming and Liquor Act* and AGLC policies prohibit minors from entering gaming facilities such as casinos, VLT retail sites, and racing entertainment centres. The Act also prohibits an apparently intoxicated person from playing a gaming activity or being served liquor. AGLC policies prohibit the granting of credit for gambling.

The new video lottery terminals installed in 2003-2004 incorporate responsible gaming features or "reality checks" for players. These features include display of amount played or earned in dollars as well as credits; a "time-interrupt" feature to interrupt play after a certain number of minutes; an on-screen banner with the AADAC problem gambling message and toll-free help line number; and a permanent clock giving the time of day. The effectiveness of these features and other responsible gaming programs is being evaluated in a three-year study.

Did you know?
AADAC's problem gambling prevention, education and treatment programs are fully funded by the Alberta Lottery Fund.

The five most important protective factors for harmful use of substances and gambling by Alberta youth are parental monitoring, good social skills, availability of and participation in pro-social activities and good school marks.

The Alberta Youth Experience Survey 2002

Bingo responsible gaming program

In 2003-2004, the AGLC began to consult with the bingo industry on the development and delivery of a Responsible Gaming Program for bingo. Development of this new program will begin in early 2004-2005 and will be followed by a roll out to licensed bingo facilities throughout the province.

ALBERTA LOTTERY FUND

Social Responsibility

Protecting unattended children

In 2002-2003, the AGLC introduced a policy requiring operators of gaming facilities to develop a policy to address the issue of children left unattended on casino facility property, bingo association facility or community bingo property. The AGLC consulted with other gaming jurisdictions to develop the policy, which provides that the facility licensee take appropriate measures to ensure the safety of unattended children.

Voluntary Self-Exclusion program

The Voluntary Self-Exclusion Program for casinos continued during the fiscal year. This program, developed with the gaming industry and introduced in September 2000, is designed for Albertans who feel it is in their best interest not to participate in casino or Racing Entertainment Centre (REC) gaming activities. By submitting an application to the AGLC, participants can voluntarily agree to be excluded from entering all Alberta casinos and RECs for a specified period of time, from a minimum of six months to a maximum of three years.

Over 2,000 individuals have signed Voluntary Self-Exclusion agreements since the program began in September 2000.

Over 2,000 individuals have signed Voluntary Self-Exclusion Program agreements since the program began in September 2000, and there are over 1,300 participants currently active in the program. Twenty-eight individuals who were participating in the program during the year were charged with re-entering a licensed premise under Section 70(b) of the *Gaming and Liquor Act* for entering a casino or REC.

Social Responsibility

Responsible gaming program

Among its social responsibility activities during 2003-2004, the AGLC continued to carry out and enhance the responsible gaming program involving gaming retailers, including VLT retailers, casino operators and racing entertainment centres. The program, developed with AADAC, has two mandatory and two voluntary components as follows:

Mandatory

- Awareness training (problem gambling, recognition of individuals at risk, and offering assistance) for all staff that have any involvement with VLTs.
- Posting all six signs that are required by the AGLC related to problem gambling and gaming in general. The signs must be current and in good condition.

Voluntary

- VLT owners, management and/or senior staff must participate in consultation with the AGLC (this year, the consultation was in the format of an AADAC/AGLC Responsible Gaming Survey).
- VLT retailers provide some type of server intervention product that includes the AADAC help-line phone number (such as a matchbook, business card, or coaster).

VLT retailers fulfilling all four of the components are identified as a Responsible Gaming Venue and are eligible for an award. This year the AGLC dedicated more effort to informing retailers of the importance of the responsible gaming program, including bulletins, direct promotion from technicians and trainers, and information posted on the AGLC website. As a result, in 2003-2004, approximately 385 retailers participated in all four components and are eligible for an award, which is a dramatic increase over the 60 retailers that participated in the full program in 2002-2003.

All participants in the VLT Responsible Gaming Program received a certificate of completion. Over 2,300 certificates were provided to participants in 2003-2004.

Social Responsibility

Deal Us In program

Over 1,500 "Deal Us In" Responsible Gaming Program certificates of achievement were provided to casino employees throughout the province.

During 2003-2004, approximately 70 sessions of *Deal Us In* were held involving over 1,500 casino staff in 16 casinos and 3 Racing Entertainment Centres. The program contains two phases for all staff and management:

- Phase 1 – responsible gaming awareness training
- Phase 2 – intervention training

An evaluation of this program was undertaken with casino staff and recommendations will be implemented in 2004-2005. A train-the-trainer program using a videotape, similar to the related VLT program, will be developed for casinos and RECs in 2004-2005.

All participants in the *Deal Us In* Program for Casinos receive a certificate of completion. Over 1,500 certificates were provided in 2004-2005.

Please visit the Social Responsibility section of the AGLC Website, at www.aglc.gov.ab.ca for more information including:

- Tips for Gambling Responsibly
- Myths versus Facts
- Warning signs of Problem Gambling
- Deal Us In Program

Beneficiaries of Gaming Proceeds

With your generous support our playground has become a reality.

Roland Michener School Council Students and Staff

Beneficiaries of Gaming Proceeds

Charitable gaming licences issued

Under the province's charitable gaming model, eligible charitable or religious groups are licensed to conduct certain gaming activities, namely casinos, bingos, pull-tickets and raffles. Over 4,800 licences were issued to these charitable groups to conduct charitable gaming activities in the province during 2003-2004. During the year, the groups earned $226 million in proceeds compared to $206 million in 2002-2003. With the completion of the MLA Review on Charitable Gaming Licensing Eligibility and Use of Proceeds, two types of groups who were not eligible in the past (not-for-profit child care groups with educational component and adult sports groups with a youth component) became eligible for gaming licenses based on the charitable benefit they provide to the community.

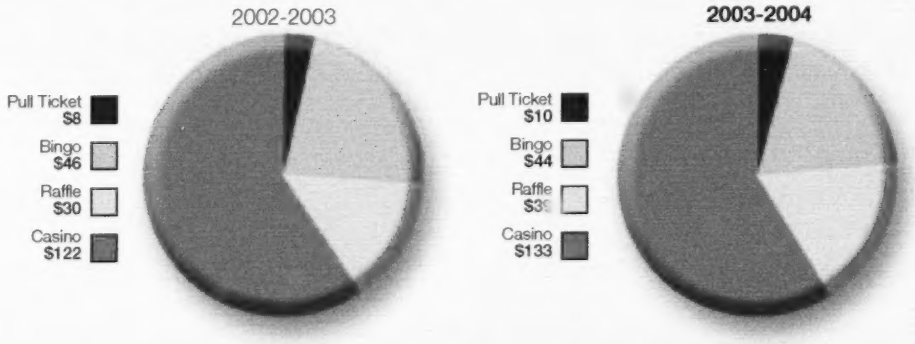
A summary of the number of licences in effect in 2003-2004 to hold events, and the revenues and net profits to charities from charitable gaming activities is as follows:

(millions of dollars)						2004	2003
	Licences*	Total Gross	Prizes/ Winnings	Expenses	Electronic Gaming	Net Proceeds to Charity	Net Proceeds to Charity
Bingo**	2,301	265	169	53	1	44	46
Casino	2,924	622	499	86	96	133	122
Pull-Ticket	820	49	36	3		10	8
Raffle	324	108	44	25		39	30
	6,369	1,044	748	167	97	226	206

* Licences included in this table are those that held events in 2003-2004

** Includes $1.6 million of electronic bingo proceeds returned to charities through the Alberta Lottery Fund.

Net Proceeds to Charities (millions of dollars)



Beneficiaries of Gaming Proceeds

Charitable gaming proceeds are used to support a range of community projects. The following table provides a breakdown of the proceeds earned by charities in 2003-2004. It is based on the AGLC's general categories for charitable gaming, compared to proceeds earned in 2002-2003:

Categories of Charitable Groups (millions of dollars)	**Proceeds Earned in 2003-2004**	Proceeds Earned in 2002-2003
Sports competitive amateur sports such as minor hockey and swimming	**43**	44
Service fraternal, service and organizations which are established by a statute or international/national charter	**30**	29
Foundation health and education foundations	**24**	19
Social Action focus on specific issues of social concern	**24**	17
Education purchase of special learning or athletic equipment	**22**	21
Community community facilities used by youth and adults	**19**	17
Arts performing visual and literary arts, including art galleries, dance, choral, theatre, marching and school bands	**18**	17
Multiculturalism the preservation of cultural heritage	**14**	12
Medicine/Health support medical research or assistance with medical treatment programs	**9**	7
Agriculture agricultural education programs and clubs and agricultural fairs	**8**	8
Recreation support for recreational facilities and parks and recreational organizations	**4**	4
Senior Citizens organizations with a majority membership of 60 years of age or older	**4**	4
Religious churches, parishes, temples, synagogues and auxiliary groups that support religious activities	**3**	3
Youth organizations that provide programming for young people	**3**	3
Other	**1**	1
	226	206

ALBERTA LOTTERY FUND

Beneficiaries of Gaming Proceeds

Alberta Lottery Fund

For nearly two decades, the Alberta Lottery Fund has worked to enhance Alberta's communities. In 2003-2004, a total of $1.1 billion was invested into Alberta communities, through the Fund, which is made up of the government's share of net revenues from VLTs, slot machines and ticket lotteries.

ALBERTA LOTTERY FUND

The Alberta Lottery Fund is administered by the AGLC. This includes the collection of revenues and the disbursement of funds to the ministries identified in the *Lottery Fund Appropriation Act*. Alberta Lottery Fund dollars are distributed to specific ministries and through those ministries to public initiatives, foundations and grant programs, according to their respective mandates. This allows lottery dollars to be directed to thousands of volunteer, public and community-based groups and initiatives throughout the province each year. Examples of the types of initiatives that are supported include:

- Community facilities,
- Libraries,
- Museums,
- Sports and athletic events,
- Agricultural societies,
- Major exhibitions,
- Arts and culture groups,
- Wildlife and conservation projects,
- Public athletic facilities,
- Seniors' groups,
- Recreation,
- Tourism, and
- Historical resources.

The Alberta Lottery Fund also funds seven granting programs and foundations, two of which are administered by Alberta Gaming and five are administered by Alberta Community Development. The two granting programs administered by Alberta Gaming are the Community Facility Enhancement Program (CFEP) and the Community Initiatives Program (CIP). Since 1988, CFEP has provided financial assistance to build, purchase, repair, renovate or upgrade public-use facilities in Alberta communities. CIP, introduced in 2002, provides support for project-based initiatives in areas such as community services, seniors' services, libraries, arts and culture, sports and recreation.

The five foundations administered by Alberta Community Development also direct lottery revenues to support Alberta's volunteers and communities and are:

- Alberta Foundation for the Arts
- Alberta Sport, Recreation, Parks and Wildlife Foundation
- Wild Rose Foundation
- Alberta Historical Resources Foundation
- Alberta Human Rights, Citizenship and Multiculturalism Education Fund

The combination of the 13 ministries and the seven granting programs and foundations allows lottery revenues to make a difference in the lives of Albertans by enhancing our communities. The Alberta Lottery Fund website at albertalotteryfund.ca, provides additional information on the Alberta Lottery Fund and also includes a searchable database that enables users to view lottery-funded projects by organization, community or type of grant. In addition, volunteer community organizations interested in applying for a grant can obtain more information regarding granting programs, as well as downloadable application forms for some programs.

Performance Measures

Performance Measures
Core Business 1

Core Business 1

License and regulate liquor activities

The AGLC licenses, registers, regulates and monitors all liquor activities in the province according to the *Gaming and Liquor Act* and Regulation, other provincial and federal legislation, and AGLC policies.

The AGLC enforces the regulations and policies related to liquor activities, issues licences for the sale and service of liquor, and conducts liquor inspection activities, investigations and audits. The AGLC collects a mark-up from the sale of liquor. The private sector is responsible for warehousing, distributing and selling liquor products to consumers.

Goals

Goal 1.1 **Liquor policy and licensing activities comply with the *Gaming and Liquor Act* and Regulation.**

Goal 1.2 **The manufacture, importation, distribution, sale and consumption of liquor products comply with legislation, regulation and policy.**

Performance Measures
Core Business 1

Core Business 1 has three performance measures. These measures, the targets and results are discussed here.

Performance Measure 1

	2002-2003		2003-2004	
	Target	Result	Target	**Result**
Licensees comply with legislation, regulation and policy.	87%	96.3%*	90%	**91.7%**

* previous year's results were restated to reflect new methodology.

About the Results

In 2003-2004, the AGLC adopted a new methodology for measuring compliance in the liquor industry. In this new methodology, the compliance rate is equal to the ratio of licensees during the year that have not been issued a penalty to the average number of licensees during the period. The new methodology was adopted because it more clearly and accurately depicts compliance in the liquor industry.

Under the previous method, which was in place for 2001-2002 and 2002-2003, the compliance rate result was equal to the ratio of inspections during the year in which an incident report was generated to the total number of inspections conducted during the year. In 2002-2003, there were 17,153 liquor inspections conducted and 349 incident reports (numbers restated based on additional information), which resulted in a compliance rate of 98.0 per cent. In 2003-2004 there were 23,710 inspections conducted and 633 incident reports which would result in a compliance rate of 97.3 per cent. However, after carefully reviewing this methodology, it was determined that a more accurate measurement of the percentage of liquor licensees who comply with legislation, regulation and policy would be derived by measuring the percentage of licensees who comply in comparison to the average number of licensees in the province. During 2002-2003, there were an average of 6,438 liquor licensees. 235 of these licensees were issued a penalty, resulting in a compliance rate of 96.3 per cent under the new methodology compared to 98.0 per cent under the previous methodology. The results achieved for this performance measure have been restated above to reflect the application of the new methodology.

A licensee is considered to be in compliance if they have not had a penalty issued under the *Gaming and Liquor Act*, Regulation, or AGLC policy.

Penalties refer to specified penalties assessed by the Board of the AGLC. It also includes other penalties that may be imposed by the Hearing Panel of the Board. All penalties are listed on the AGLC website at www.aglc.gov.ab.ca.

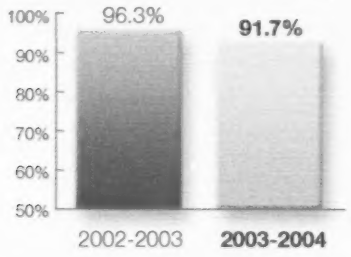
Performance Measures
Core Business 1

Key Results

In 2003-2004, there were an average of 6,569 liquor licensees. 546 of these licensees, or 8.3 per cent, received a penalty for a violation of the *Gaming and Liquor Act*, Gaming and Liquor Regulation or AGLC policy. The remaining 6,023 liquor licensees, or 91.7 per cent, were in compliance with the legislation, regulation or policy.

Under both methodologies, the rate of compliance in 2003-2004 is less than that of 2002-2003. This is largely because of the high number of penalties issued to licensees under the *Gaming and Liquor Act* for not requesting photo identification from individuals who appear to be under the age of 25. A full listing of all of the penalties issued can be found on the AGLC website at www.aglc.gov.ab.ca.

Liquor industry compliance with legislation, regulations and policy



Performance Measures
Core Business 1

Performance Measure 2

	2001-2002		2002-2003		2003-2004	
	Target	Result	Target	Result	Target	**Result**
Percentage of licences and registrations approved within established timeframes.	95%	99.8%	97%	98.8%	98%	**99.4%**

About the Results

The AGLC is committed to providing superior service to its stakeholders, partners and the public. For this performance measure, service is measured by whether or not response time targets are met for clients applying for liquor licences and registrations.

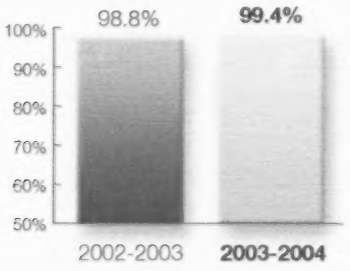
Response times are measured in working days. They are calculated from the date all the information is received from the client applying for a licence, to the date when the application process is finalized. The documents are date stamped by the AGLC when they are received and filed for final processing.

The results equal the ratio of applications processed within established timeframes to the total applications processed during the period. The results for new licences were derived from a random sample of 100 licences to test for completion dates.

Key Results

In 2003-2004, over 2,100 licenses and registrations were issued and 99.4 per cent were completed within established timeframes.

Liquor licences and registrations approved within established timeframes



Performance Measures
Core Business 1

Supplemental Information

The AGLC issues several different types of liquor-related licenses including:

- New licences, which refers to licences issued to individuals or organizations for the sale and consumption of liquor.
- Special Event licences, which allow the licence holder to host a function with liquor service. Special event functions are for a limited duration and the licence holders can be individuals, not-for-profit organizations or companies.

The AGLC also registers liquor agencies. A liquor agency registration allows the licence holder to represent a liquor supplier in the sale of the supplier's liquor products. Liquor agencies can be a company or an individual.

Type of Licence	Timeframes established for completion	Number of Licences Processed		Percentage Completed Within Timeframe	
		2002-2003	**2003-2004**	2002-2003	**2003-2004**
New Licences	21 days	1,124	**1,335**	98%	**99%**
Special Event Licences	14 days	736	**790**	100%	**100%**
Liquor Agency Registrations	7 days	29	**34**	100%	**100%**
		1,889	**2,159**	98.8%	**99.4%**

Performance Measure 3

	2001-2002		2002-2003		**2003-2004**	
	Target	Result	Target	Result	Target	**Result**
Percentage of liquor industry clients who are satisfied with level of service provided by AGLC.	Establish baseline	95%	Increase over 2001-02 baseline	92%	95%	**94%**

Performance Measures
Core Business 1

About the Results

The AGLC is committed to providing excellent service to its clients. To determine liquor industry client satisfaction with the services provided by the AGLC, Research Innovations Inc. was commissioned to survey liquor industry clients. In January 2004, 362 of 6,310 liquor licensees and 153 of 255 registered liquor agencies were interviewed. The margin of error was no more than +/- 5 per cent with a confidence level of 95 per cent.

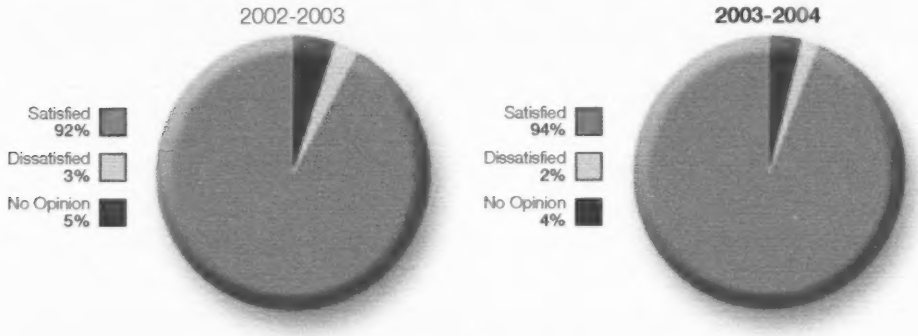
A random and representative sample of both client groups was asked to focus on the services provided to them by the AGLC over the past 12 months. Both client groups were asked to rate their satisfaction with three different aspects of service: response time, knowledge of employees, and courtesy of employees. In addition, they were asked to rate their overall satisfaction with the services provided by the AGLC. Possible responses were *very satisfied, satisfied, somewhat satisfied, somewhat dissatisfied, dissatisfied, very dissatisfied,* or *don't know*.

Overall satisfaction was calculated by weighting the results so that the number of respondents in each group was proportionate to their representation in the entire client population. Satisfaction ratings represent the total per cent of respondents indicating they were *very satisfied, satisfied,* or *somewhat satisfied* with the service.

Key Results

Overall satisfaction of liquor industry clients with the services provided by the AGLC in 2003-2004 is 94 per cent. Overall, satisfaction has increased two per cent from last year and dissatisfaction decreased one per cent.

Overall satisfaction with AGLC services



Core Business 2

License and regulate charitable gaming activities

Alberta is a leader with its unique charitable gaming model for casino, pull-ticket, raffle and bingo events. These gaming activities only occur when eligible religious and charitable organizations apply for and receive licences to conduct gaming activities. Alberta's charitable gaming model ensures proceeds from gaming activities provide a benefit to the community.

Goals

Goal 2.1 **Gaming policy and activities comply with the *Criminal Code* (Canada) and the *Gaming and Liquor Act* and Regulation.**

Goal 2.2 **All gaming activities are conducted in accordance with legislation, regulation and policy.**

Performance Measures
Core Business 2

Core Business 2 has three performance measures. These measures, the targets and results are discussed here.

Performance Measure 1

	2002-2003		2003-2004	
	Target	Result	Target	**Result**
Charitable gaming activities are conducted in accordance with legislation, regulations and policy.	92%	96.1%*	95%	**96.8%**

* Results for 2002-2003 have been restated based on new information.

About the Results

The Regulatory Division of the Commission conducts inspections and audits of charitable gaming activities to ensure licensees are complying with legislation, regulations and policy. Charitable gaming activities refer to bingo, casino table games, raffles and pull-tickets.

Compliance is monitored by inspection and audit of charitable gaming activities to determine whether the licensee adheres to legislation and policies for the specific licence.

Inspectors complete a report for each inspection conducted. An inspection involves an inspector reviewing the processes, procedures and/or activities at licensed premises, licensed facilities or at licensed gaming events to ensure they are being conducted in accordance with legislation and policy. If a significant violation is identified, one that would give rise to a penalty or hearing under the *Gaming and Liquor Act*, Regulation, or Board policy, an incident report is prepared and the matter is referred to the Executive Director, Regulatory Division, for a specified penalty or to the Board of the Commission for further action.

Similarly, the Regulatory Division prepares an audit report for each audit conducted. An audit involves a comprehensive analysis of the operations and/or financial records of a licensee to ensure the licensee is complying with the *Gaming and Liquor Act*, Regulation or Board policy. Again, if a significant violation is identified, one that would give rise to a penalty or hearing under the *Gaming and Liquor Act*, Regulation, or Board policy, an executive audit summary report is prepared and the matter is referred to the Executive Director, Regulatory Division, for a specified penalty or to the Board of the Commission for further action.

The results equal the ratio of the total number of inspections resulting in incident reports and audits that identify infractions during the period to the total number of inspections and audits conducted during the period.

Performance Measures
Core Business 2

Key Results

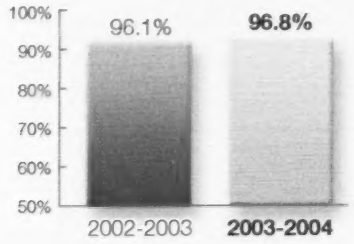
In 2003-2004, there were a total of 4,824 inspections and audits conducted in the gaming industry with 153 incident reports and/or infractions generated. The overall rate of compliance for 2003-2004 is 96.8 per cent.

2003-2004 Inspections and Audits

4,652	Inspections	39	incident reports	99.2%	compliance
172	licences audited	114	infractions reported	33.7%	compliance
4,824	Inspections/audits	153	incidents/infractions	96.8%	compliance

A lower rate of compliance is expected with audits, as opposed to inspections, as the majority of audits are initiated by complaints from the public or referrals from other branches of the Commission or the Department of Gaming.

Charitable gaming compliance with legislation, regulations and policy



Performance Measure 2

	2001-2002		2002-2003		2003-2004	
	Target	Result	Target	Result	Target	**Result**
Percentage of licences and registrations processed within established timeframes.	95%	97.8%	97%	98.3%	98%	**98.6%**

About the Results

The AGLC is committed to providing superior service to its stakeholders, partners and the public.

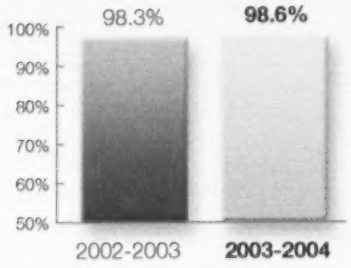
For this performance measure, service is measured by whether or not response time targets are met for customers applying for licences and registrations. Response times are calculated from the date the complete documentation is received to the final processing date of the applications. Results equal the ratio of applications completed within established timeframes to the total number of applications processed during the period.

Performance Measures
Core Business 2

Key Results

In 2003-2004, 9,562 charitable gaming licences and registrations were processed with 98.6 per cent of licences and registrations completed within established timeframes.

Licences and registrations completed within established timeframes



Supplemental Information

In each gaming stream the majority of licences and registrations were completed within the established timeframes.

Type of Licence or Registration	Timeframes established for completion	Number Processed		Percentage Completed Within Timeframe	
		2002-2003	**2003-2004**	2002-2003	**2003-2004**
Bingo Licences	12 weeks	1,577	**1,281**	96.5%	**99.3%**
Casino Licences	12 weeks	2,923	**2,962**	100.0%	**96.4%**
Pull-Ticket Licences	4 weeks	371	**262**	74.1%	**95.0%**
Raffle Licences	8 weeks	317	**320**	97.8%	**99.4%**
Gaming Worker Registrations	6 weeks	4,192	**4,737**	100.0%	**100.0%**
		9,380	**9,562**	98.3%	**98.6%**

Performance Measures
Core Business 2

Performance Measure 3

	2001-2002		2002-2003		2003-2004	
	Target	Result	Target	Result	Target	**Result**
Percentage of gaming industry clients who are satisfied with level of service provided by AGLC.	Establish baseline	95%	Increase over 2001-02 baseline	95%	95%	**97%**

About the Results

Research Innovations Inc. was commissioned to survey charitable gaming licensees to assess their level of satisfaction with the services provided by the AGLC. In January 2004, telephone interviews were conducted with:

- 284 of the 1,089 bingo licensees;
- 337 of the 2,723 casino licensees;
- 151 of the 248 raffle licensees; and
- 149 of the 242 pull-ticket licensees.

The sampling size provides a margin of error of no more than +/- 5% with a confidence level of 95 per cent. The survey methodology ensured that charitable groups that held more than one type of gaming licence during the period were surveyed only once.

A random and representative sample of client groups was asked to focus on the services provided to them by the AGLC over the past 12 months. Client groups were asked to rate their satisfaction with three different aspects of service during the past twelve months: response time, knowledge of employees and courtesy of employees. In addition, they were asked to rate their overall satisfaction with the services provided by the AGLC. Possible responses were *very satisfied, satisfied, somewhat satisfied, somewhat dissatisfied, dissatisfied, very dissatisfied,* or *don't know*.

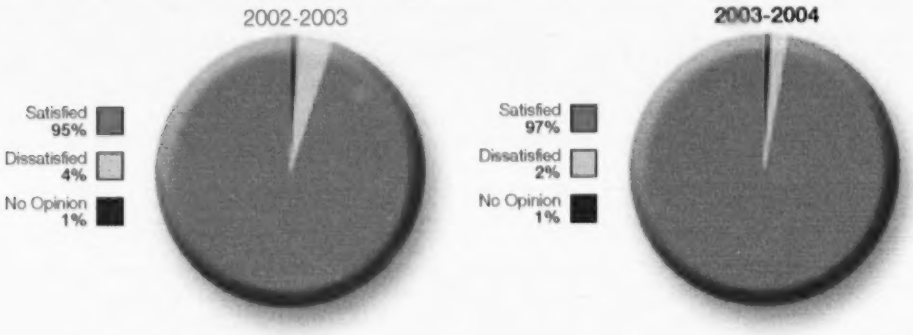
To calculate overall satisfaction with services received from the AGLC, the results were weighted so that the number of respondents in each group (bingos, casinos, raffles and pull-tickets) was proportionate to their representation in the entire client population. Satisfaction ratings represent the total per cent of respondents indicating they were *very satisfied, satisfied,* or *somewhat satisfied* with the service.

Performance Measures
Core Business 2

Key Results

The four charitable gaming client groups' combined overall satisfaction with the services provided by the AGLC is 97 per cent, which is a 2 per cent increase from 2002-2003.

Gaming industry satisfaction with AGLC services



Performance Measures
Core Business 3

Core Business 3

Conduct and manage provincial gaming activities

The AGLC is responsible for the conduct and management of electronic gaming in Alberta under the authority of the *Criminal Code* (Canada), provincial legislation and policy. The AGLC owns and operates video lottery terminals and electronic bingo units in licensed premises, and slot machines in casino facilities and Racing Entertainment Centres. The AGLC, in partnership with the Western Canada Lottery Corporation (WCLC), also conducts and manages ticket lotteries and Keno in the province.

Goals

Goal 3.1 **All provincial gaming activities are conducted in accordance with legislation and policy.**

Goal 3.2 **Gaming operations are efficient and effective.**

Goal 3.3 **The return to charities is enhanced by the introduction of provincial gaming.**

Performance Measures
Core Business 3

Core Business 3 has two performance measures. These measures, the targets and results are discussed here.

Performance Measure 1

	2001-2002		2002-2003		2003-2004	
	Target	Result	Target	Result	Target	**Result**
Retailer satisfaction with AGLC services related to VLTs, slot machines and ticket lotteries.	80%	98%	90%	98%	92%	**98%**

About the Results

In this performance measure, service refers to Hotline and field repair services for video lottery terminals and ticket lottery terminals, and field repair services for slot machines.

Research Innovations Inc. was commissioned to survey video lottery terminal retailers, lottery ticket retailers and casino operators/slot machine retailers. In January 2004, telephone interviews were conducted with: 287 of the 1,136 video lottery terminal retailers; 325 of 2,098 lottery ticket retailers; and 15 of 18 casino operators/slot machine retailers. The margin of error was no more than +/- 5 per cent with a confidence level of 95 per cent. A random and representative sample of the client groups was interviewed.

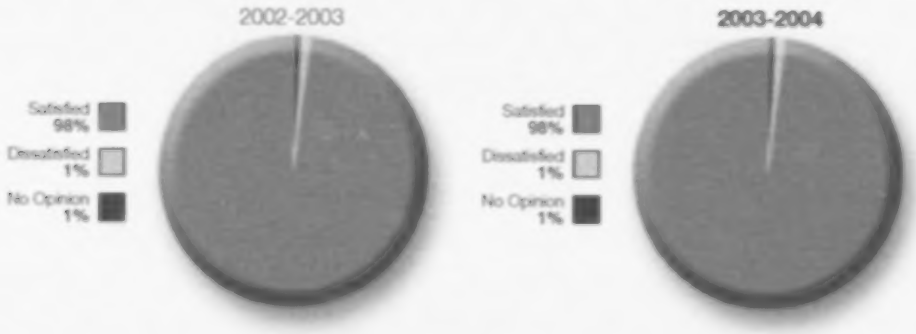
Retailers were asked to rate their satisfaction with various aspects of the Hotline services and field repair services they received from the AGLC over the past 12 months. Clients were asked to base their level of satisfaction on six choices: *very satisfied, satisfied, somewhat satisfied, somewhat dissatisfied, dissatisfied,* or *very dissatisfied*. Satisfaction ratings represent the total per cent of respondents indicating they were *very satisfied, satisfied,* or *somewhat satisfied* with the service. To calculate overall satisfaction with all services received from the AGLC, the data was weighted so that the number of clients in each group was proportionate to their representation in the entire client population.

Key Results

The three client groups' overall satisfaction with the services provided by the AGLC is 98 per cent. This is the same level of satisfaction found in 2002-2003.

Performance Measures
Core Business 3

Retailer satisfaction with AGLC services



Supplemental Information

Video Lottery Terminal Retailers rated their satisfaction with Hotline services based on the level of courtesy (100 per cent), knowledge shown by Hotline Operators (99 per cent), and speed at which calls were answered (93 per cent). Satisfaction was rated for field repair services based on level of courtesy (99 per cent), quality of technicians' repairs (98 per cent), and response time (93 per cent).

Lottery Ticket Retailers rated their satisfaction with Hotline services based on the level of courtesy (97 per cent), knowledge shown by Hotline Operators (96 per cent), and speed at which calls were answered (93 per cent). Satisfaction was rated for field repair services based on level of courtesy (95 per cent), quality of technician's repairs (96 per cent), and response time (93 per cent).

Slot Machine Retailers rated their satisfaction with field repair services based on level of courtesy (93 per cent) and quality of technicians' repairs (93 per cent).

Performance Measures
Core Business 3

Performance Measure 2

	2001-2002		2002-2003		2003-2004	
	Target	Result	Target	Result	Target	**Result**
Percentage of gaming integrity issues resolved within established timeframes.	80%	82.2%	85%	97.6%	90%	**96.2%**

About the Results

Maintaining the integrity and accountability of gaming in Alberta is essential. The AGLC works with stakeholders to ensure games are operated fairly and according to consistently applied rules and procedures.

For this performance measure, gaming integrity issues refers to any dispute about the operation of the gaming equipment, any credit dispute involving a player or retailer, or any perceived illegal or unethical behaviour by a retailer, player or AGLC employee.

AGLC inspectors resolve the majority of gaming integrity issues. Those that cannot be resolved by inspectors are forwarded to the AGLC Response Team, which is composed of representatives from most divisions of the AGLC. The timely resolution of these matters is essential and the Response Team's goal is to address and resolve these issues through fair and impartial review within 30 days of receipt.

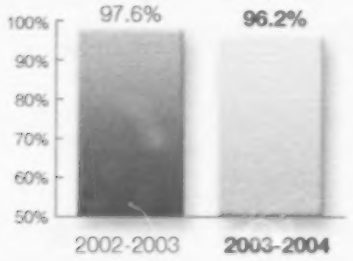
Integrity issues forwarded to the AGLC Response Team are entered into the AGLC Response Team Incident Manager database. When the issue is resolved, the resolution and the date of the resolution are also entered into the database and the parties are notified. A report generated for this measure is based on a calculation between the date the matter was received by the Response Team and the date the matter was resolved.

Performance Measures
Core Business 3

Key Results

In 2003-2004, the Response Team resolved 209 issues and 96.2 per cent of these were resolved within 30 days. Compared to 97.6 per cent in 2002-2003.

Gaming integrity issues resolved within established timeframes



Financial Statements

March 31, 2004

Auditor's Report

AUDITOR GENERAL Alberta

To the Members of the Alberta Gaming and Liquor Commission

I have audited the balance sheet of the Alberta Gaming and Liquor Commission as at March 31, 2004 and the statements of operations and cash flow for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[original signed]

Fred Dunn, FCA
Auditor General

Edmonton, Alberta
May 21, 2004

Alberta Gaming and Liquor Commission
Balance Sheet
March 31, 2004 (thousands of dollars)

		2004		2003
Assets				
Current Assets				
Cash (Note 3)	$	88,350	$	119,419
Accounts receivable		13,289		37,742
Prepaid expenses and inventories (Note 4)		11,600		8,070
		113,239		165,231
Property, Plant and Equipment (Note 5)		170,398		95,133
	$	283,637		260,364
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	$	90,476	$	71,214
Due to the Alberta Lottery Fund (Note 7)		29,323		38,537
		119,799		109,751
Due to General Revenues (Note 8)		159,354		145,746
Provision for Loss on Leased Properties (Note 13)		4,484		4,867
	$	283,637	$	260,364

The accompanying notes are part of these financial statements.

APPROVED BY MANAGEMENT:

[original signed]

Norman C. Peterson, CA
Chairman and Chief Executive Officer

[original signed]

H. Ronald Crosby, CA
Executive Director, Finance and Administration

Alberta Gaming and Liquor Commission
Statement of Operations
Year ended March 31, 2004 (thousands of dollars)

	Budget	2004 Actual			2003 Actual
	(Note 9)	Provincial Lotteries	Liquor and Other	Total	
Revenue					
Casino gaming & electronic racing terminals	$	$ 9,251,816	$ -	$ 9,251,816	$ 7,756,712
Video lottery terminals		8,617,950	-	8,617,950	8,711,686
Liquor		-	1,490,367	1,490,367	1,416,772
Ticket lottery		442,068	-	442,068	442,609
Electronic bingo		14,416	-	14,416	-
		18,326,250	1,490,367	19,816,617	18,327,779
Prizes And Cost Of Product					
Casino gaming & electronic racing terminals		8,568,860	-	8,568,860	7,176,122
Video lottery terminals		7,924,320	-	7,924,320	8,000,083
Liquor		-	931,504	931,504	882,224
Ticket lottery		230,379	-	230,379	227,737
Electronic bingo		11,731	-	11,731	-
		16,735,290	931,504	17,666,794	16,286,166
Gross Profit	2,151,329	1,590,960	558,863	2,149,823	2,041,613
Commission and Federal Payments (Note 10)	(370,969)	(362,038)	-	(362,038)	(332,748)
Other Income (Note 11)	10,918	-	12,869	12,869	14,048
Operating Expenses (Note 12)	(152,150)	(103,728)	(15,124)	(118,852)	(98,532)
Net Operating Results	$ 1,639,128	$ 1,125,194	$ 556,608	$ 1,681,802	$ 1,624,381

Alberta Gaming and Liquor Commission

Statement of Cash Flow

Year ended March 31, 2004 (thousands of dollars)

		2004		2003
Cash From Operations				
Net operating results for the year	$	1,681,802	$	1,624,381
Decrease in provision for loss on leased properties		(383)		(424)
Amortization		32,392		20,090
Loss (Gain) on disposal of property, plant and equipment		50		(1,105)
Change in Due to General Revenues from operating grant		-		(5,478)
Net change in non-cash working capital balances		40,185		(16,821)
		1,754,046		1,620,643
Remittances to the Alberta Lottery Fund		(1,134,408)		(1,079,626)
Remittances to General Revenues		(543,000)		(521,000)
		76,638		20,017
Cash used for investment				
Purchase of property, plant and equipment		(107,732)		(45,585)
Proceeds on disposal of property, plant and equipment		25		1,114
		(107,707)		(44,471)
Decrease in cash		(31,069)		(24,454)
Cash, beginning of year		119,419		143,873
Cash, end of year	$	88,350	$	119,419

NOTE 1 Authority and Purpose

The Alberta Gaming and Liquor Commission (the Commission) operates under the authority of the *Gaming and Liquor Act*, Chapter G-1, Revised Statutes of Alberta 2000.

The Commission conducts and manages provincial lotteries, carries out functions respecting gaming under the *Criminal Code of Canada*, and controls, in accordance with legislation, the manufacture, importation, sale and purchase of liquor for the Government of Alberta.

Amendments to the *Gaming and Liquor Act*, proclaimed June 24, 2002, allow the Commission to deduct operating expenses from the remittances to the Alberta Lottery Fund and General Revenues. The net proceeds, after the deduction of related operating expenses, arising from the conduct of authorized video lottery, casino gaming terminal operations, ticket lottery and electronic bingo in Alberta are remittable to the Alberta Lottery Fund. The net proceeds, after the deduction of related operating expenses, of liquor operations and other income are remittable to General Revenues.

Under the Excise Tax Act and Games of Chance (GST/HST) Regulations, the Commission is required to pay GST and Federal Tax on gaming operations. However, the Commission as a Crown agent of the Government of Alberta, has a tax-exempt status for its liquor and regulatory operations.

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles applied on a consistent basis. The preparation of financial statements for a period necessarily involves the use of estimates. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Joint Venture

Alberta's share of the operations of the Western Canada Lottery Corporation is accounted for as a joint venture using the proportionate consolidation method.

Inventories

Supplies inventories are valued at weighted average cost which is not in excess of net replacement value.

Inventory held on behalf of liquor suppliers or agents, and related duties and taxes, are not recorded in the financial statements.

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their carrying values.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization. Amortization is calculated on the straight-line method at annual rates which will reduce the original cost to estimated residual value over the useful lives of the assets, as follows:

Buildings and leasehold improvements	2.5% or 10% (or lease term)
Gaming systems and equipment	10% or 33 1/3%
Video lottery and casino gaming terminals	14.3%
Furniture and equipment	10% or 20%
Retailer fixtures and signage	20%
Computer software	33 1/3%
Vehicles	20% or 33 1/3%

Property, plant and equipment are not amortized until the assets are put into use.

Pensions

The Commission participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service related to prior years.

Revenue and Expense Recognition

Revenue from video lottery terminals, casino gaming terminals, electronic racing terminals and electronic bingo is recognized at the time that play has been completed and all machine credits have been played or converted to cash. Prizes, commissions and federal payments related to video lottery terminals, casino gaming terminals, electronic racing terminals and electronic bingo are recognized on the same basis as the related revenues.

On-line ticket lottery revenues are recognized at the date of the draw with instant ticket revenues being recognized at the date of sale to retail. Prizes, commissions and federal payments relating to ticket revenues are recognized on the same basis as the related revenues.

Revenue from the sale of liquor is recognized when goods are shipped and title has passed to the customer. Revenue received in advance of shipment is deferred and recognized when goods are shipped and title has passed to the customer. Cost of product sold for liquor is recognized on the same basis as the related revenues.

NOTE 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Allocation of Operating Expenses

Operating expenses are allocated against provincial lottery revenue or liquor and other revenue, based on the nature of the expense.

NOTE 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality, short-term securities and mid-term fixed income securities with a maximum term to maturity of three years. As at March 31, 2004, securities held by the CCITF have an average effective market yield of 2.11% per annum (March 31, 2003: 3.23% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

NOTE 4 Prepaid Expenses and Inventories

(thousands of dollars)		2004		2003
Prepaid expenses	$	6,531	$	4,221
Gaming parts		4,532		3,338
Supplies		537		511
	$	11,600	$	8,070

NOTE 5 Property, Plant and Equipment

(thousands of dollars)	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 4,113	$ -	$ 4,113	$ 4,113
Buildings and leasehold improvements	51,047	39,379	11,668	11,928
Gaming systems and equipment	54,026	41,289	12,737	16,076
Casino gaming terminals	100,630	49,496	51,134	50,482
Video lottery terminals	96,400	18,342	78,058	1,131
Furniture and equipment	34,327	26,734	7,593	6,810
Retailer fixtures and signage	7,913	7,104	809	641
Computer software	6,595	3,398	3,197	3,131
Vehicles	2,849	1,760	1,089	821
	$ 357,900	$ 187,502	$ 170,398	$ 95,133

NOTE 6 Defined Benefit Plans

The Commission participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Commission also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $1,710,263 for the year ended March 31, 2004 (2003 - $1,303,915). The Commission's portion of the Western Canada Lottery Corporation pension expense is $228,168 for the year ended March 31, 2004 (2003 - $303,021).

At December 31, 2003, the Management Employees Pension Plan reported a deficiency of $290,014,000 (2002 - deficiency of $301,968,000) and the Public Service Pension Plan reported an actuarial deficiency of $596,213,000 (2002 - actuarial deficiency of $175,528,000). At December 31, 2003, the Supplementary Retirement Plan for Public Service Managers had an actuarial surplus of $9,312,000 (2002 – actuarial surplus of $6,472,000). The Commission's portion of the Western Canada Lottery Corporation deficiency as at March 31, 2004 is $15,716 (2003 - $519,547).

The Commission also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2004, the Bargaining Unit Plan reported an actuarial deficiency of $9,766,000 (2003 - $14,434,000) and the Management, Opted Out and Excluded Plan reported an actuarial surplus of $1,298,000 (2003 - actuarial deficiency of $3,053,000). The expense for these two plans is limited to employer's annual contributions for the year.

NOTE 7 Due to the Alberta Lottery Fund

This amount represents the portion of the revenues from lottery operations which has not been remitted to the Alberta Lottery Fund.

(thousands of dollars)		2004		2003
Due to the Alberta Lottery Fund, beginning of year	$	**38,537**	$	28,497
Remittable to the Alberta Lottery Fund		**1,125,194**		1,089,666
Remittances to the Alberta Lottery Fund		**(1,134,408)**		(1,079,626)
Due to the Alberta Lottery Fund, end of year	$	**29,323**	$	38,537

NOTE 8 Due to General Revenues

Due to General Revenues reflects the outstanding balance due to General Revenues from liquor operations and other income, as follows:

(thousands of dollars)		2004		2003
Due to General Revenues, beginning of year	$	**145,746**	$	137,509
Operating grant returned to General Revenues		**-**		(5,478)
		145,746		132,031
Net operating results for the year		**1,681,802**		1,624,381
Remittable to the Alberta Lottery Fund		**(1,125,194)**		(1,089,666)
Remittances to General Revenues		**(543,000)**		(521,000)
		13,608		13,715
Due to General Revenues, end of year	$	**159,354**	$	145,746

Amounts due to General Revenues are unsecured, non-interest bearing and have no specific terms of repayment.

NOTE 9 Budget

The Commission, in its annual business plan, includes its annual budget on a summarized basis. The summarized budget receives approval by the Minister of Gaming and becomes part of the estimates of the Government. The Government Estimates are approved by the Legislature.

NOTE 10 Commissions and Federal Payments

(thousands of dollars)		2004		2003
Commissions				
Video lottery terminals	$	103,976	$	106,722
Casino gaming and electronic racing terminals:				
- Operators		102,283		88,418
- Charities		95,076		81,124
Electronic bingo		1,377		-
Ticket lottery		30,531		30,551
		333,243		306,815
Federal Tax Expenses[a]				
Video lottery terminals		12,402		10,425
Casino gaming and electronic racing terminals		6,797		5,883
Electronic bingo		48		-
Ticket lottery		3,547		3,798
		22,794		20,106
Payment to Federal Government[b]		6,001		5,827
	$	362,038	$	332,748

[a] Taxes are paid to the Government of Canada in lieu of the Goods and Services Tax (GST) on ticket lottery, video lottery, casino gaming terminal and electronic bingo sales based on a prescribed formula. This tax is in addition to the GST paid on the purchase of goods and services for which credit is denied under the formula.

[b] This payment represents the Province of Alberta's share of payments to the Government of Canada as a result of an agreement between the provincial governments and the federal government on the withdrawal of the federal government from the lottery field. The payment is made by the Western Canada Lottery Corporation on behalf of Alberta, and is based on current population statistics and its share of ticket lottery sales.

NOTE 11 Other Income

(thousands of dollars)		2004		2003
Licences and permits	$	5,862	$	5,950
Interest revenue		3,470		3,082
Miscellaneous		1,280		1,789
Premises rental revenue		755		753
Retailer service fees		546		555
Liquor levies		507		585
Fines and violations		499		229
(Loss) Gain on disposal of property, plant and equipment		(50)		1,105
	$	12,869	$	14,048

NOTE 12 Operating Expenses

(thousands of dollars)		2004		2003
Salaries and benefits	$	34,689	$	30,245
Amortization		32,392		20,090
Leased gaming terminals		10,180		7,891
Data communications		8,251		7,717
Media and media production		7,453		6,698
Equipment and vehicles		6,145		6,813
Ticket printing		6,103		7,525
Fees and services		2,603		1,496
Property		2,473		2,403
Travel and training		2,101		1,685
Stationery and supplies		1,454		1,165
Freight and product delivery		1,322		1,296
Data processing		997		643
Insurance and bank charges		996		856
Miscellaneous		809		1,314
Retailer relations		699		544
Presentations and publications		112		79
Product expense		80		82
Overhead and other		(7)		(10)
	$	118,852	$	98,532

NOTE 13 Commitments

The Commission has a number of lease obligations, including regional offices, gaming warehouses and former retail liquor stores that operate under lease arrangements with terms ranging from one to 28 years. Most of these former properties have been sub-leased to third parties. The Commission remains liable for the leases should the sublessor default on their obligations to the Commission. The Commission's future minimum lease payments, including its proportionate share of the Western Canada Lottery Corporation commitments, is summarized as follows:

(thousands of dollars)		
2004-2005	$	1,713
2005-2006		1,491
2006-2007		1,309
2007-2008		1,166
2008-2009		896
Balance to expiry		4,815
	$	11,390

Estimated future revenues to be derived from sub-leases amount to $6.7 million at March 31, 2004. Provision for loss on leased properties has been made where the payments to be received on the sub-leases are less than the lease payments to be made.

NOTE 14 Contingencies

At March 31, 2004 the Commission is a defendant in 12 legal claims (2003 – 11 legal claims). Nine of these claims have specified amounts, and the remaining three have not specified any amount (2003 – nine claims with specified and two with no specified amount). Included in the total claims are seven claims in which the Commission has been jointly named with other entities.

In conjunction with the joint venture operating with the Western Canada Lottery Corporation, it is also noted that the Western Canada Lottery Corporation is a defendant in one legal claim, with a specified amount (2003 - three claims with a specified amount).

The resulting loss, if any, from these claims cannot be determined.

NOTE 15 Salaries and Benefits

(thousands of dollars)	Base Salary[a]	Other Cash Benefits[b]	Other Non-cash Benefits[c]	2004 Total	2003 Total
Senior Officers					
Chairman and CEO[d]	$ 76	$ 25	$ 5	$ 106	$ 101
Board Members	92	-	-	92	68
Executives					
Executive Director, Regulatory[e]	113	48	27	188	151
Executive Director, Gaming Products and Services	113	18	26	157	155
Executive Director, Information Systems	97	16	21	134	124
Executive Director, Finance and Administration	93	13	20	126	115

[a] Salary includes regular base pay

[b] Other cash benefits includes bonuses, vacation payouts, payments in place of pension participation, and lump sum payments.

[c] Other non-cash benefits include the Commission's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability, professional memberships, and tuition fees.

[d] The Deputy Minister for Gaming also serves as the Chairman and CEO of the Alberta Gaming and Liquor Commission. A portion of the Deputy Minister's salary is allocated to the Alberta Gaming and Liquor Commission, representing the proportionate amount of time the Deputy Minister spends on Commission business. Full salary and benefits are disclosed in the Department of Gaming financial statements.

[e] This position was occupied by two individuals through the year.

NOTE 16 Joint Venture - Ticket Lottery Operations

The joint venture conducted by Western Canada Lottery Corporation is accounted for using the proportionate consolidation method. The Commission has included in its accounts the following aggregate amounts:

(thousands of dollars)		2004		2003
Balance Sheet				
Current assets	$	26,729	$	27,356
Property, plant and equipment		10,303		11,241
	$	37,032	$	38,597
Current liabilities	$	17,506		19,433
Investment in joint venture		19,526		19,164
	$	37,032	$	38,597
Statement of Operations				
Gross profit	$	173,065	$	174,696
Operating expenses		(23,823)		(23,966)
Net operating results	$	149,242	$	150,730
Statement of Cash Flow				
Cash from operations	$	152,739	$	148,544
Cash used for investment	$	1,035	$	5,453

NOTE 17 Related Party Transactions

The Commission had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. The amounts are not included in the financial statements.

(thousands of dollars)	2004			2003
	Expenses - Incurred by Others[a]			
	Accommodation Costs[b]	Legal Services[c]	Total Expenses	Total Expenses
Division				
Regulatory	$ -	$ 91	$ 91	$ 109
Commission Office	-	29	29	32
Gaming Products and Services	-	19	19	16
Finance and Administration	1	5	6	3
Human Resources	-	-	-	1
Information Systems	-	-	-	-
	$ 1	$ 144	$ 145	$ 161

[a] Costs incurred by Alberta Justice and Alberta Infrastructure on behalf of the Alberta Gaming and Liquor Commission.
[b] Net costs for Accommodation in St. Albert.
[c] Costs for Legal Services allocated on hours of service provided.

The Commission also had the following transactions with related parties recorded on the Statement of Operations at the amount of consideration agreed upon between the related parties:

(thousands of dollars)	
Alberta Corporate Service Centre	$ 174
Risk Management and Insurance	132
Alberta Infrastructure	17
	$ 323

Alberta Lottery Fund
Commitments 2004-2005
(thousands of dollars)

The Alberta Lottery Fund is the government's share of net revenues from ticket lotteries and electronic gaming such as VLTs and slot machines. Alberta Lottery Fund revenues are invested back into Alberta's communities through 13 Ministries and seven programs and foundations.

The Alberta Lottery Fund enhances the quality of life for all Albertans by supporting thousands of worthwhile volunteer, non-profit, public and community-based projects and initiatives.

Alberta Lottery Fund expenditures are approved annually by the Provincial Legislature. The following is a list of Alberta Lottery Fund Estimates for 2004-2005.

Agriculture, Food and Rural Development		
Agricultural Service Boards	$	5,000
Agriculture Initiatives		11,620
		16,620

Children's Services	
Family and Community Support Services	**30,000**

Community Development	
Arts Development	1,503
Volunteer Services	3,580
Sport and Recreation	1,212
Hosting Major Athletic Events	1,800
Alberta Foundation for the Arts	30,034
Alberta Sport, Recreation, Parks and Wildlife Foundation	17,670
Wild Rose Foundation	7,766
Human Rights, Citizenship and Multiculturalism Education Fund	1,265
Edmonton 2004 Centennial	1,030
Alberta Historical Resources Foundation	6,946
Centennial Legacy Grants	13,000
	85,806

Economic Development	
Travel Alberta Secretariat	900
In-Alberta / Regional Marketing	2,200
International Marketing	7,900
Alberta Image Promotion	400
Research	200
Visitor Support Services	2,500
	14,100

ALBERTA LOTTERY FUND

Alberta Lottery Fund
Commitments 2004-2005
(thousands of dollars)

Gaming	
Alberta Gaming Research Institute	1,500
Alberta Gaming Research Council	100
Community Facility Enhancement Program	38,500
Community Initiatives Program	30,000
Edmonton Northlands	7,100
Calgary Exhibition and Stampede	7,100
Major Fairs and Exhibitions	2,660
Racing Industry Renewal	45,000
Edmonton Oilers Ticket Lottery	1,350
Calgary Flames Ticket Lottery	1,350
Bingo Associations	7,000
First Nations Development Fund	4,000
Other Initiatives	15,088
	160,748
Health and Wellness	
Human Tissue and Blood Services	137,000
Health Services Research	5,325
Aboriginal Health Strategies	2,200
Community-Based Health Services	10,000
Alberta Alcohol and Drug Abuse Commission (AADAC)	54,749
	209,274
Human Resources and Employment	
Disability Related Employment Supports	8,438
Summer Temporary Employment Program	8,195
	16,633
Infrastructure	
Health Care Facilities	23,000
School Facilities	22,000
Post-Secondary Facilities	81,500
Seniors Lodges	6,000
Centennial Legacy Grants	12,500
Centennial Projects	20,000
	165,000

Alberta Lottery Fund
Commitments 2004-2005
(thousands of dollars)

Innovation and Science	
Alberta Energy Research Institute - Climate Change	6,000
Alberta Energy Research Institute - Energy Research Strategy	8,595
Alberta Agricultural Research Institute	8,675
Alberta Forestry Research Institute	2,510
Informatics Circle of Research Excellence	10,010
Alberta Science and Research Investment Program	33,495
Alberta SuperNet	41,000
	110,285
Learning	
School Support - Transportation Subsidies	60,400
High Speed Networking	4,000
Community Education	15,300
Learning Television	4,600
Immigrant Support Services	3,600
Achievement Scholarships	3,100
	91,000
Municipal Affairs	
Municipal Sponsorship	12,000
Unconditional Municipal Grants	12,000
	24,000
Transportation	
Rural Transportation Partnerships	30,000
Alberta Cities Transportation Partnerships	75,000
Streets Improvement Program	20,000
Municipal Water and Wastewater Grants	20,000
Infrastructure Canada / Alberta Program	5,000
Water Management Infrastructure	10,000
	160,000
Finance	
Transfer to Contingency Allowance	**84,365**
	$ 1,167,831

ALBERTA LOTTERY FUND

Alberta Lottery Fund
Contact Information

For more information on the Alberta Lottery Fund and lottery grants, please visit our website at www.albertalotteryfund.ca or contact:

Alberta Lottery Fund
50 Corriveau Avenue
St. Albert, AB T8N 3T5
Phone: (780) 447-8600 (Dial 310-0000 for toll-free access)
Fax: (780) 447-8903
Email: alf.feedback@aglc.gov.ab.ca

The Alberta Lottery Fund provides grant funding for various community-based projects and initiatives through the following programs and foundations:

Alberta Foundation for the Arts – (780) 427-9968
Provides support to the development of the arts and film production sectors.

Alberta Historical Resources Foundation – (780) 431-2300
Provides support to community-based heritage initiatives.

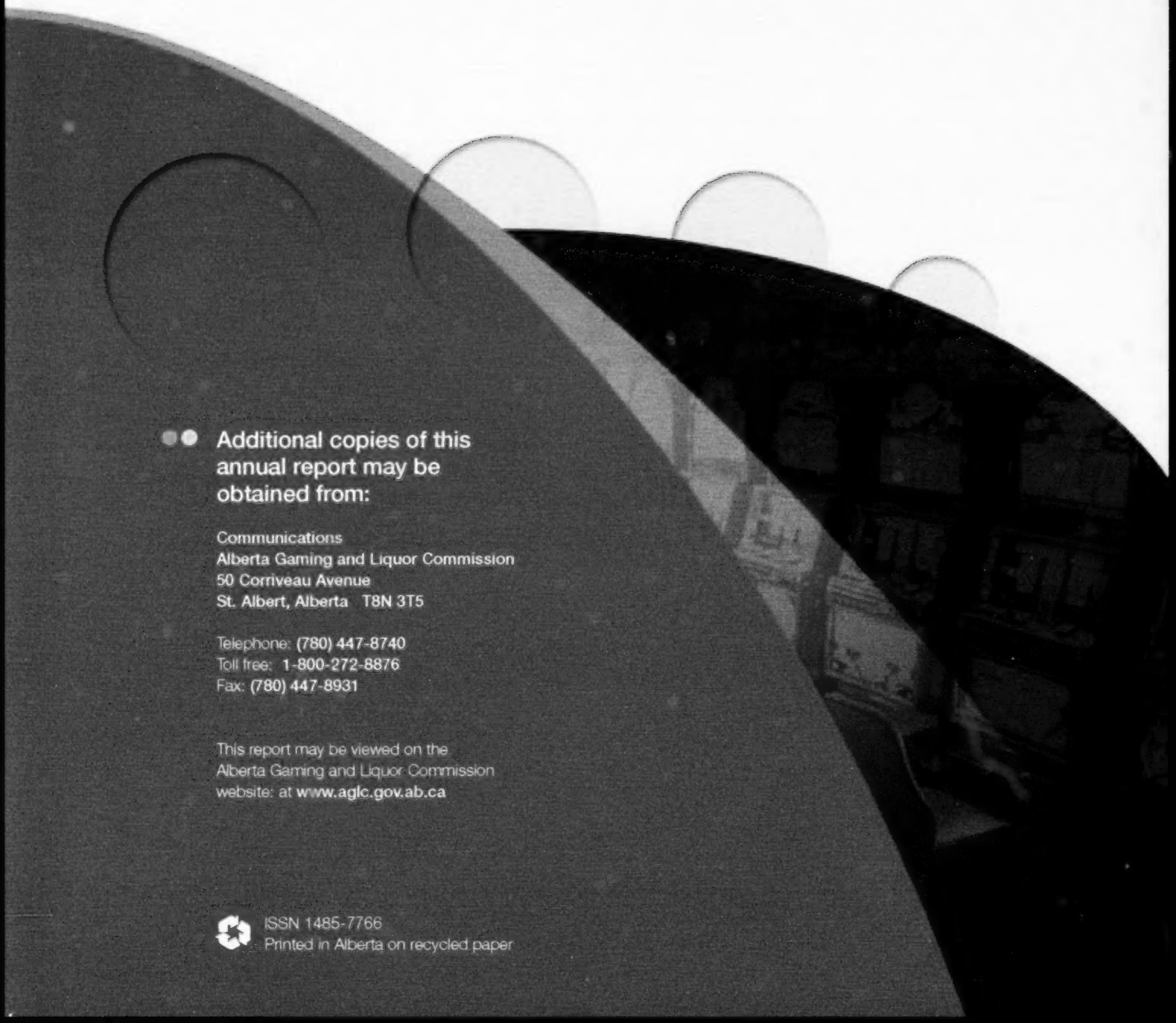
Alberta Sport, Recreation, Parks and Wildlife Foundation – (780) 415-1167
Provides support to sport, recreation, parks and wildlife activities.

Community Facility Enhancement Program – 1 (800) 642-3855
Provides support to the expansion and upgrading of Alberta's extensive network of community-use facilities.

Community Initiatives Program – 1 (800) 642-3855
Provides support for project-based initiatives in areas such as community services, seniors' services, libraries, arts and culture, sports, education, health and recreation.

Human Rights, Citizenship and Multiculturalism Education Fund – (780) 427-3116
Provides support to organizations wishing to foster equality and reduce discrimination.

Wild Rose Foundation – (780) 422-9305
Provides support to the volunteer sector.



Additional copies of this annual report may be obtained from:

Communications
Alberta Gaming and Liquor Commission
50 Corriveau Avenue
St. Albert, Alberta T8N 3T5

Telephone: (780) 447-8740
Toll free: 1-800-272-8876
Fax: (780) 447-8931

This report may be viewed on the Alberta Gaming and Liquor Commission website: at **www.aglc.gov.ab.ca**

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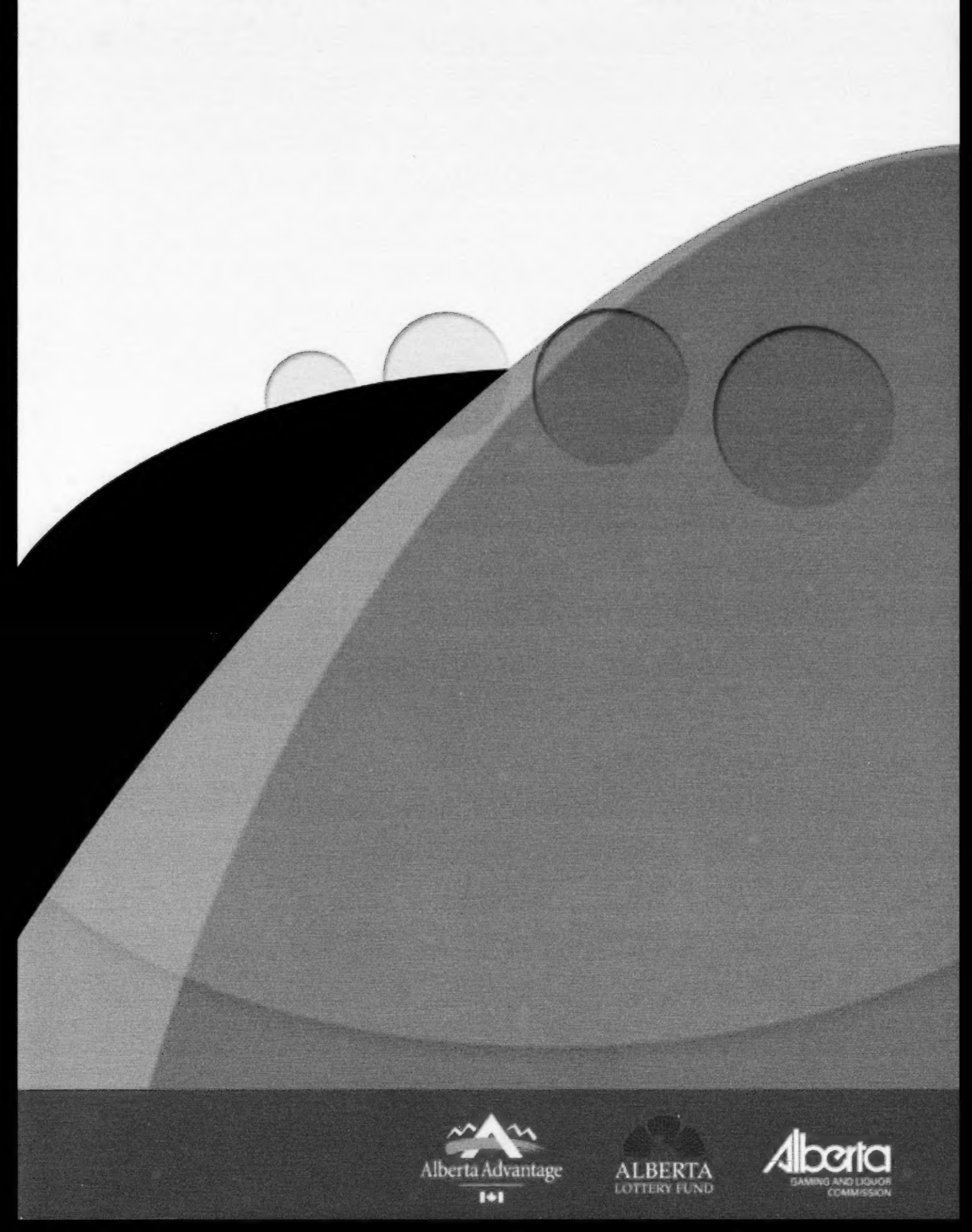
Alberta Advantage
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